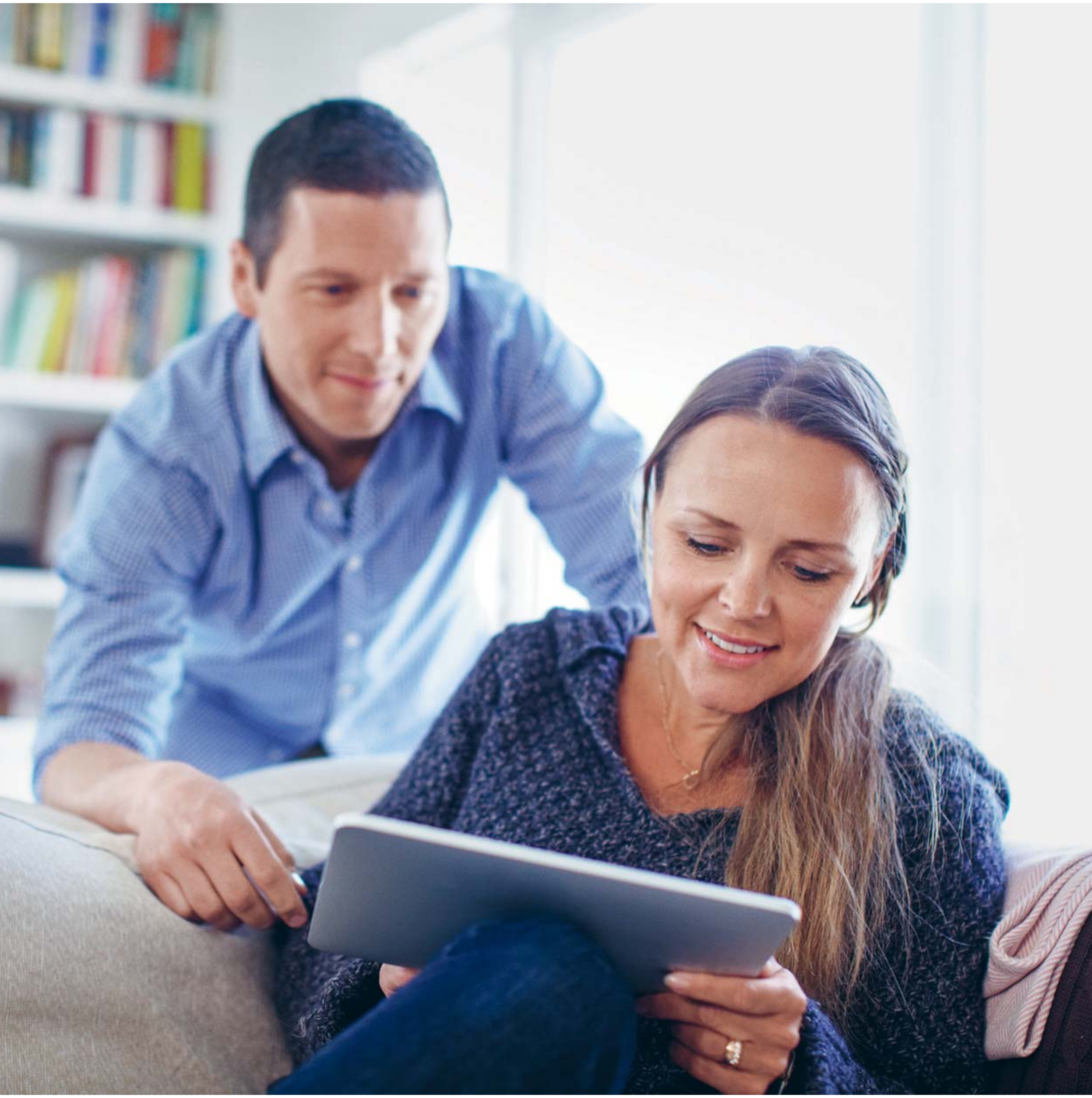


Annual Report 2014

> In 2014 Nordea not only delivered robust results, but also took the next steps in the transformation to meet our customers' changing behaviour and the new regulatory requirements.

CEO letter page 8

Contents

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, (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.

Lennart Jacobsen, Head of Retail Banking

Largest and most diversified retail bank in the Nordics

Retail Banking
"Based upon our customers' needs and preferences we aim to advise, serve and sell in every customer touch point."
page 19

Casper von Koskull, Head of Wholesale Banking

Leading wholesale bank in the Nordics

Wholesale Banking
"We are teaming up for success."
page 22

Gunn Wærsted, Head of Wealth Management

Largest private bank, asset manager and life and pensions provider

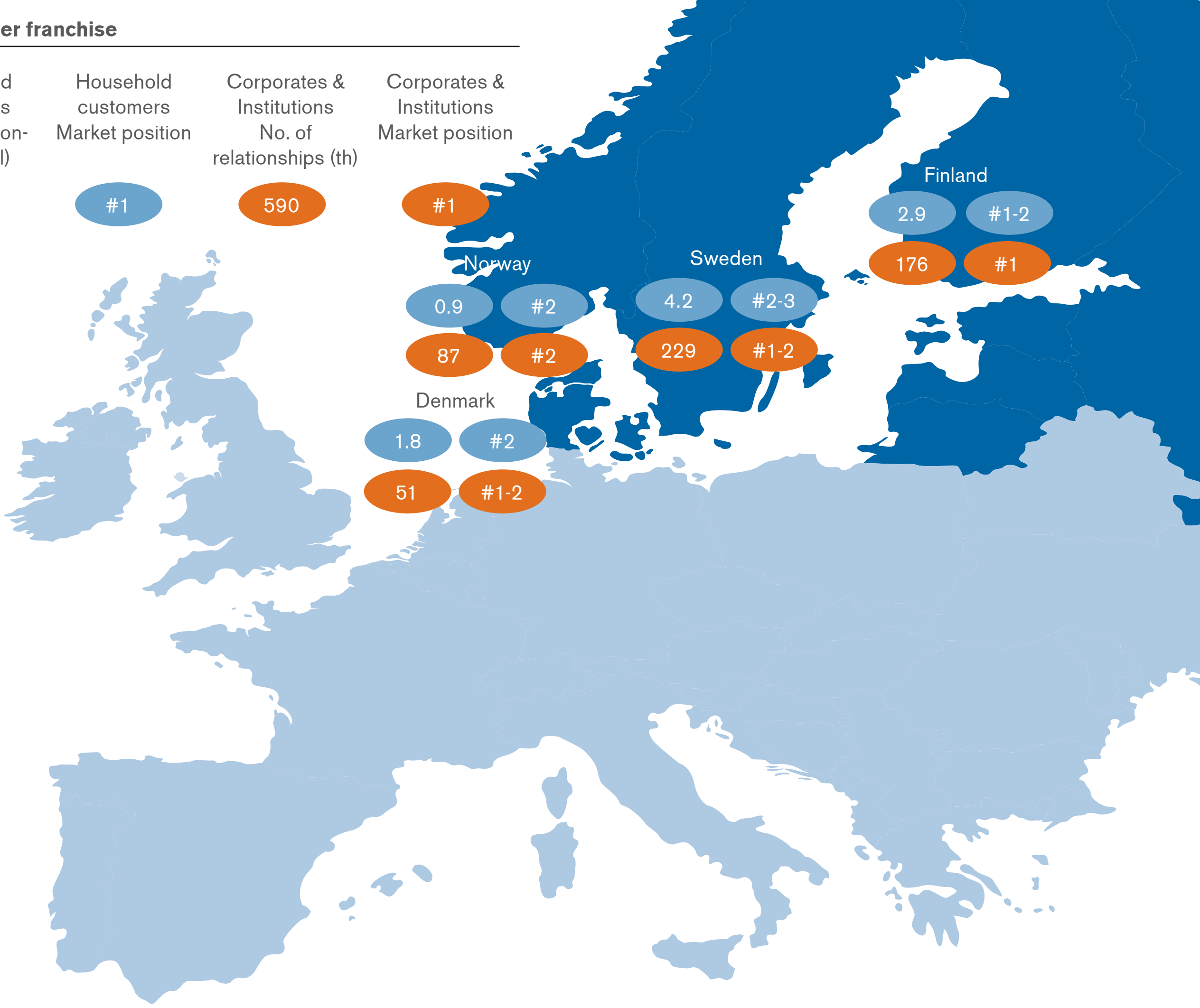
Wealth Management
"The vision is to be acknowledged as the leading Wealth Manager in all Nordic markets with global reach and global capabilities"
page 25

Leading platform

Nordea has the leading Nordic platform and a unique position in the Nordics

Superior customer franchise

	Household customers No. of relationships (mill)	Household customers Market position	Corporates & Institutions No. of relationships (th)	Corporates & Institutions Market position
In total:	10.2	#1	590	#1



Global capabilities on par with international peers

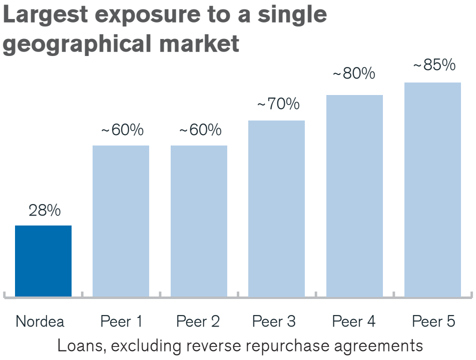
Capital Markets	Asset Management	Life & Pensions	Private Banking
#1	#1	#1	#1

Key facts

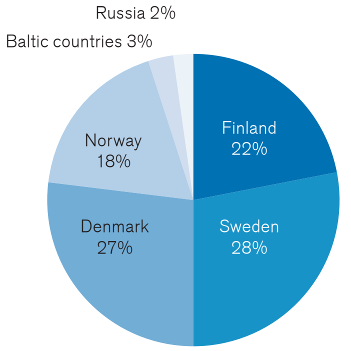
- Leading financial services platform in the Nordic region
- Largest total operating income, EUR 9.8bn in 2014
- Market share leader across the region in both retail and corporate markets
- ~29,400 employees (FTEs)
- Superior customer franchise
  ~10 million personal customers of which 3.3m Gold, Premium and Private Banking customers
  ~590,000 corporate and institutional customers
- Strong distribution power
  ~700 branch locations
  strong multichannel offerings

Nordea is the most diversified bank in the Nordics

Geographic exposure, Nordea vs. Nordic peers, %

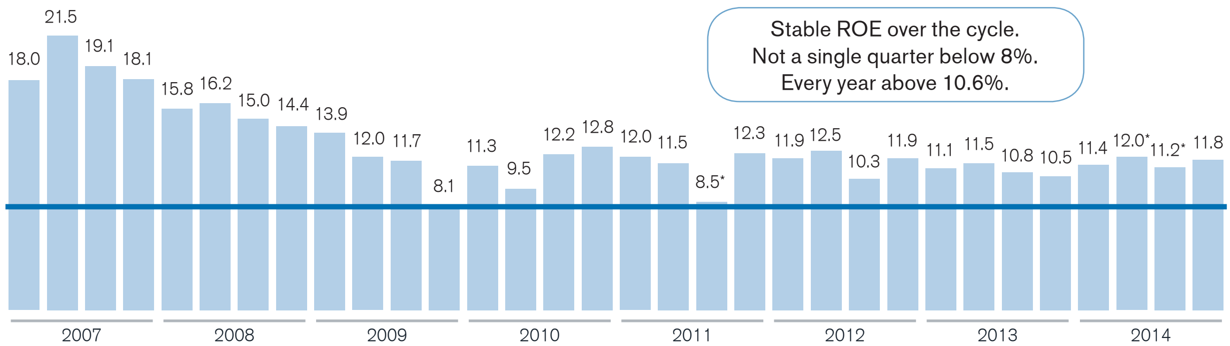


Nordea, loans to the public by geography, %



Total loans (excluding reverse repurchase agreements): EUR 304bn

Return on equity, ROE, development 2007-2014, %



*) Excluding restructuring costs in the second quarter 2014 of EUR 190m, capital gain from the divestment of Nets Holding of EUR 378m and charge for impairment of intangible assets of EUR 344m in the third quarter 2014, and excluding restructuring costs in the third quarter 2011 of EUR 171m.

Common equity tier 1 (CET1) capital ratio, excluding Basel I floor (CRDIV/Basel III)

15.7 %

(up 1.8 %-points from last year, compared to previously estimated Basel III ratio)

Dividend per share, EUR (proposed for 2014)

0.62

(up from EUR 0.43 per share last year)

Income statement and balance sheet items (continuing operations),
excluding non-recurring items in 2014*

Income, profit and business volumes, key items	2014	2013
Net interest income, EURm	5,482	5,525
Net fee and commission income, EURm	2,842	2,642
Net result on items at fair value, EURm	1,425	1,539
Equity method and other income, EURm	97	185
Total operating income, EURm	9,847	9,891
Total operating expenses, EURm	–4,832	–5,040
Profit before loan losses, EURm	5,015	4,851
Net loan losses, EURm	–534	–735
Operating profit, EURm	4,481	4,116
Net profit for the year**, EURm	3,371	3,107
Loans to the public, EURbn	348.1	342.5
Deposits from the public, EURbn	197.3	200.7
Assets under management, EURbn	262.2	232.1
Total assets, EURbn	669.3	630.4
Return on equity (ROE), %	11.6%	11.0%
Dividend (proposed 2014/actual 2013), EUR/share	0.62	0.43

*) Excluding restructuring costs in 2014 of EUR 190m, non-recurring capital gain in 2014 of EUR 378m and charge for impairment of intangible assets in 2014 of EUR 344m.
**) Net profit including non-recurring items in 2014.

Business model

2015 plan

Nordea market commitments

Strong capital generation and increased pay-out ratio in 2014 and 2015
while maintaining a strong capital base

To reach a ROE of 13%
at the required CET1 ratio*
taking prevailing low interest rates into account

Delivering low-volatility results
based on a well diversified and resilient business model

Key initiatives and levers

- Capital initiative to improve the CET1 ratio*
- Initiatives for income generation
- Efficiency initiatives of ~EUR 900m
  5% lower cost base in local currencies 2015 vs. 2013
- Low-risk profile and low volatility

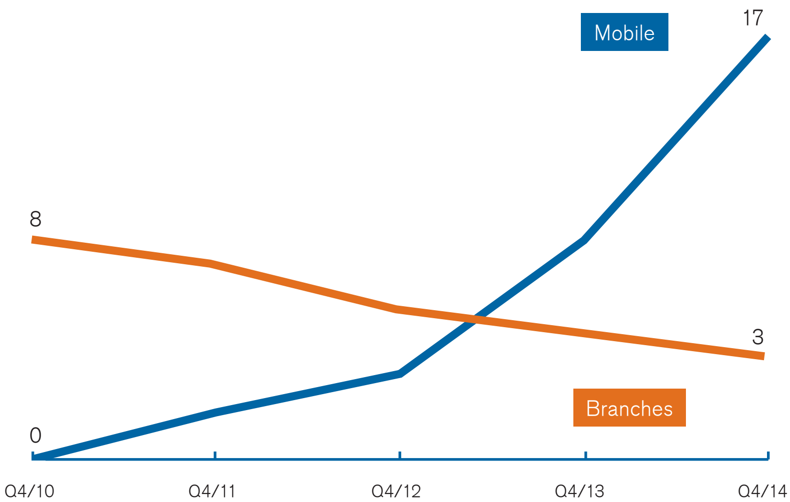
* Nordea aims at operating with a common equity tier 1 (CET1) capital ratio of approx. 15% including a management buffer

Digital transformation continues at a high pace

Digital transformation continues at a high pace within the Retail Banking business

- Transactions in Mobile Bank increased 90% during the year
- Number of active mobile banking users now increases with 1,000 new every day
- Steady decrease of manual transactions, down 19% during the year
- Continued development of solutions to our customers
- More than 1.8 million advisory meetings with customers
- 90,000 new Gold and Premium customers from outside the bank
- The number of active netbank users in the Nordic countries increased by more than 100,000 to over 4.2 million
- We met with 270,000 small and medium-sized corporate customers and were able to help many entrepreneurs adjust to both sluggish demand and effects of new banking regulation

Transactions, branches vs mobile, millions/quarter



Strong global capabilities

Product capabilities within Wholesale Banking on par with international peers

- Very strong FICC capabilities covering all major needs for Nordic customers
- Size and scale to support efficiency
- Leveraged into Retail Banking
- Competitive Investment Banking and Equities capabilities
- Customer support around the globe through major financial centres
- Strong international network of banks
- Competitive working capital management capabilities
- Balance sheet to support transactions
- Strong global shipping franchise and capabilities

Best Investment Bank in the Nordic Region
Global Finance

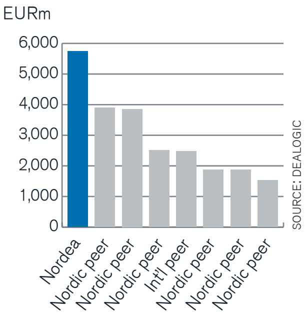
Best Nordic Equity House
TNS SIFO Prospera

Best Foreign Exchange Provider in the Nordic region
Global Finance

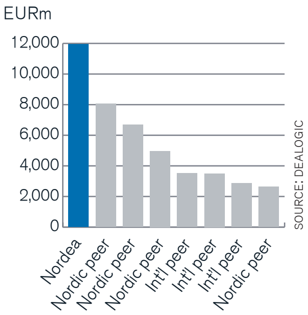
Best Bank for Cash Management 2015 in the Nordic region
Global Finance

Leading league table rankings across the capital markets activities

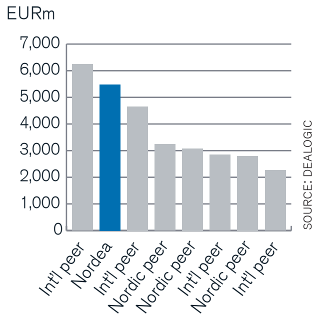
Nordic corporate bond benchmark, bookrunner 2014



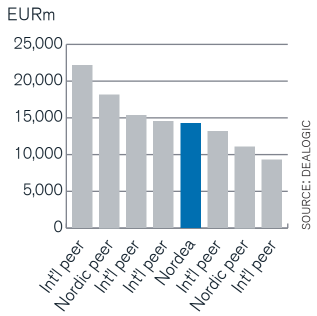
Nordic syndicated loans, bookrunner 2014



Nordic ECM market, bookrunner 2014



Nordic mergers and acquisitions, 2014



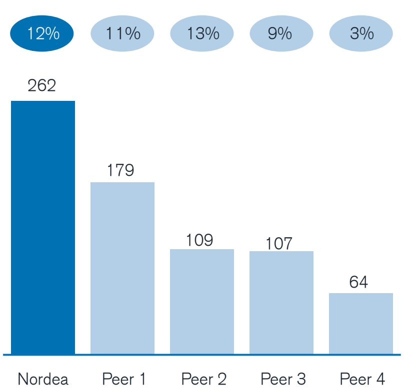
Leading customer franchises and global product capabilities

Leading customer franchises and global product capabilities within Wealth Management

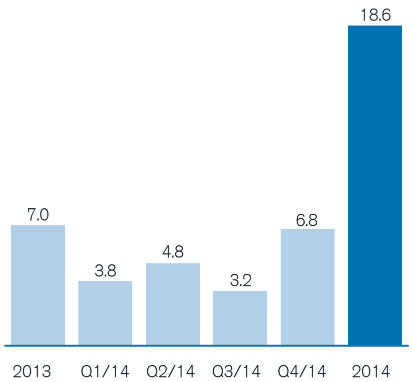
- Largest Nordic life and pensions provider by gross written premiums and EUR 57bn of Assets under Management, AuM
- Largest Nordic private bank with EUR 84bn of AuM
- Largest Nordic international private bank, EUR 12bn of AuM, with presence in Luxembourg, Switzerland and Singapore
- Largest Nordic asset manager, EUR 174bn of AuM
- Global Fund Distribution – distributing through 21 of the 25 largest wealth managers globally
- 6th largest net fund sales in Europe 2014
- In-house product offering supplemented by carefully selected external investment product offering
- Number of financial plans created was 750,000

Largest Nordic Wealth Manager

Assets under Management (AuM) 2014, EURbn, and 3-year average growth (CAGR, local curr), %



Net flow into Assets under Management (AuM), EURbn



Simplification

The rapid change in our customers' preferences towards using online and mobile solutions, as well as the increasing operational regulation, is transforming our industry. To enable us to develop even more personalised and convenient services to our customers in the future we are currently simplifying all parts of the bank. We will build new core banking and payment platforms and a Group common data warehouse and by that significantly increase our agility, scale benefit and resilience.

Digitalisation is one main driver

Digitalisation is one of the main drivers for change in banking as well as in other industries. Customers preferences and expectation on accessibility, easiness, and personalisation are key drivers in this development. We have seen the preferences rapidly increase for mobile solutions. In 2014, the mobile logons were 263 million and netbank logons were 352 million.

Business transformation

The simplification programme is a business transformation with several activities in all areas of the organisation and will consist of three main parts. The first one is initial simplification, which is about cleaning up our product portfolio and customer data. The second is to focus all our development activities towards supporting simplification, and the third area is to build up new core platforms for our operations.

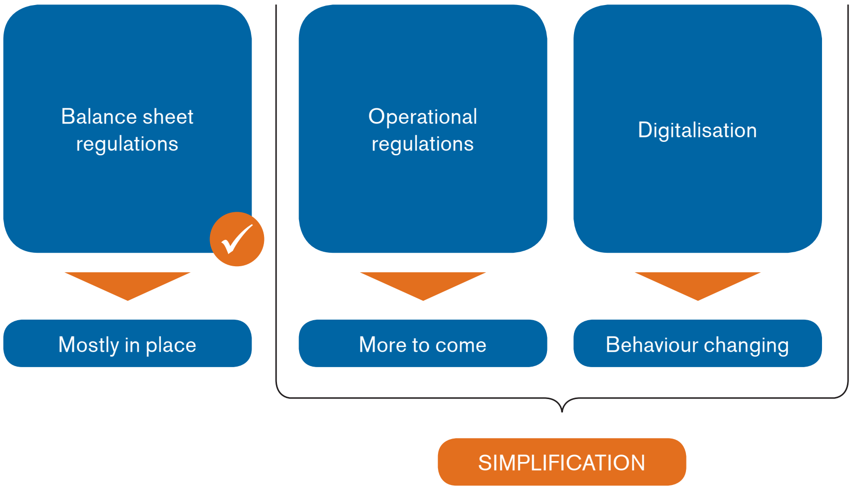
Building up new banking platforms

The initial simplification that has been going on since spring 2014 is proceeding well. This part of the programme is about reducing the complexity in the bank and thereby making us ready for the next step – building up new banking platforms.

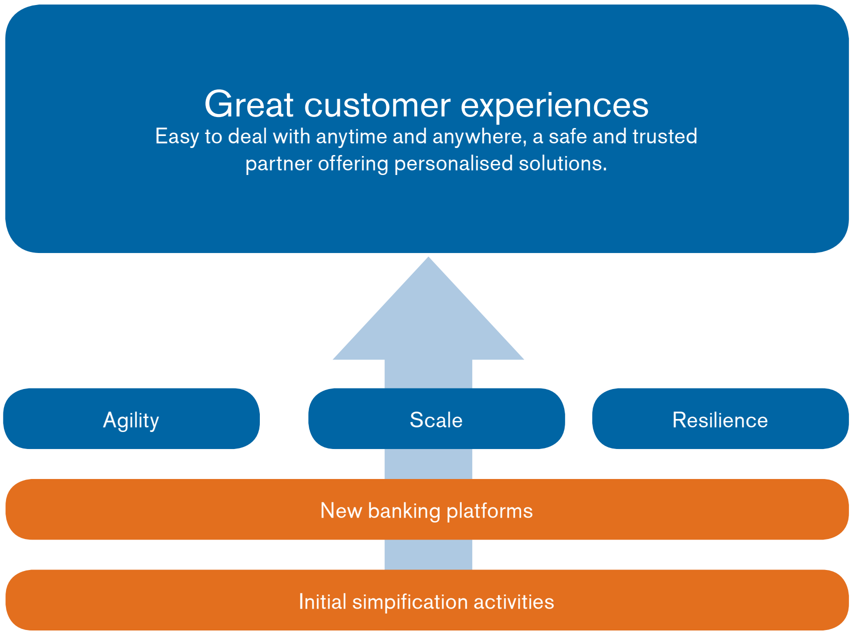
So far, we have closed around 37% of our account and transaction products. Many of the products are old products which almost no customers have or products with many small variations that can be replaced by better or similar products.

We are also cleaning up our cus-

Three transforming drivers for the banking industry



Simplification and new banking platforms to respond to drivers



Strengthened online channels and aligning of channels

tomer data, removing inactive or wrong customer data from our systems, and this work continues until summer 2015.

These activities will prepare us for building the new banking platforms. The current local IT systems will be converted to the new platforms enabling us to strongly decrease the number of IT systems to improve resilience and agility and build a new architecture common for all Nordic countries. The new platforms will consist of:

- A new Core Banking Platform, for customer information, loans and deposits for all business areas.
- A new Payment Platform for domestic, international and SEPA payments for all business areas.
- A common data warehouse, Group Common Data, consolidating the existing data warehouses into one.

Business Areas are the drivers of these programmes ensuring focus on the customers and relationships throughout the change. We will continue to develop our services, for instance our mobile solutions, also while the simplification activities are running. The development initiatives will be focused on activities supporting simplification. The Group Simplification Unit will orchestrate the programme creating common frameworks and ensuring overall planning and follow-up.

Implemented stepwise with deliveries over the next 4-5 years

The programme will be implemented stepwise with ongoing deliveries over the next 4-5 years. The new platforms will be implemented starting from 2015 with the first deliveries in the payments area, continuing to the core banking platform.

The investments in new platforms are leading to an increase in our average annual IT investments of approximately 30-35% over the coming 4-5 years. As a consequence of the above we will replace some of our current IT systems, leading to an impairment charge of EUR 344m.

Nordea has a strong capital base and profitability and we have the capacity and resources to invest in developing our operations for the future – Easy to deal with anytime and anywhere, a safe and trusted partner offering personalised solutions.

Building the Future Relationship Bank

Dear Shareholder

In 2014 Nordea not only delivered robust results, but also took the next steps in the transformation to meet our customers' changing behaviour and the new regulatory requirements.

Last year proved to be yet another challenging year for our societies and the European economy. Growth expectations were disappointed, inflation and interest rates turned towards zero, the oil price tumbled and unforeseen geopolitical tensions rose. Meanwhile, the challenges with high debt levels, budget deficits and weak competitiveness remained unsolved.

I'm pleased that despite this economic environment we delivered improved revenues and lower costs leading to increased profitability. We welcomed more new customers and strengthened our relations with existing customers, financing their activities and facilitating growth in our societies. And we further strengthened our capital position, safeguarding our position as a trusted partner and our ability to deliver great customer experiences at any time. Achievements that were also recognised during the year as we were awarded best bank in the Nordics by Euromoney and safest bank in the Nordics by Global Finance.

More customers and continued swift transformation

In Retail Banking 90,000 new relationship customers chose Nordea as their financial partner. We now have 3.16 million relationship customers, demonstrating our strong position in the Nordic retail market.

The swift transformation of our customers' behaviour continues, as they increasingly use our online services and interact with us whenever and wherever they want to. The number of new mobile banking users increases by 1,000 each and every day, and during 2014 the number of mobile transactions grew by 90%, illustrating the pace of the changing behaviour.

We continue to expand our digital banking offerings, be it via mobile or tablet, our contact centre, Netbank, remote online meetings or via Facebook. Among the new offerings launched last year were new mobile banking solutions, providing customers with features like drag and drop payments and transfers, full overview of loans and credit cards and secure e-mail. New convenient digital solutions like instant approval of consumer loans in Private Netbank in Denmark and an automated mortgage loan process for our Swedish customers were also introduced.

To meet the swiftly changing demands we are inviting our customers to take part in the development of new solutions. In the fall we initiated Nordea Next, where we involve and engage customers in validating selected ideas for new digital services. And in November we and IBM invited developers to the Nordea Innovation Challenge competition, with the winning solution being a visualisation of the customer's spending habits.

Consolidated position as leading wholesale bank
In Wholesale Banking we further consolidated our position as market leader serving the largest corporates and institutions. During the year, the number of large transactions on the market increased significantly. Nordea took a leading role in many of these transactions, providing customers with access to attractive financing.

Several number one positions in league tables confirmed our strong capital market franchise, and Wholesale Banking was ranked as the leading bank for large corporates in the Nordics by Greenwich as well as number one in Nordic Equities by Prospera.

Assets under management at new record high
Also in Wealth Management we took a big step in 2014 solidifying our position as the largest provider in our region. A record-high net inflow of EUR 18.6bn, coming from all client segments contributed to the increase in assets under management to an all-time high of EUR 262bn.

As in Retail Banking also Private Banking within Wealth Management attracted more customers reaching a total of 109,500. Strengthened advisory capabilities and solutions contributed to the all-time high inflow of assets under management, and in October, Nordea was awarded best private bank in the Nordics by the global financial magazine The Banker, part of the Financial Times Group.

As an important part of ensuring sustainable and strong returns to our customers, we are consistently working on integrating assessments of environmental, social and governance (ESG) issues into our investment decisions. Recognising our success in this field, the European magazine Capital Finance International in 2014 awarded Nordea for having the best ESG investment process in Europe.

Delivering on the 2015 plan
As a result of the continued inflow of new customers and strengthened relationships in all business areas, revenues increased by 2% in local currencies and excluding non-recurring items. At the same time we have increased our efficiency and costs were lowered by 1%. Loan losses decreased by 6 basis points to 15 basis points and are now below the 10-year average. As a consequence the operating profit was up by 12%, and the return on equity was 11.6%. Since the beginning of the financial crisis, Nordea has never delivered a return on equity below 10.6%.

Our strong capital generation continued and Nordea is now fully compliant with the Swedish FSA's capital requirement.

For 2015 we are planning for another year of low growth, subdued loan demand and continued changed customer behaviour.

The conclusion of our stress tests in the credit portfolios is that no significant short term deterioration is expected in credit quality, and we will continue to increase efficiency, leading to a 5% cost reduction in local currencies in 2015 versus 2013 and strengthened capital efficiency – and thus deliver on our 2015 plan.

Great customer experiences in the future
In 2015 we will also continue adapting to the changing behaviour among our customers and to the new regulation.

Digitalisation is changing our societies as consumers go online shopping, use streaming or interact in new ways that have already transformed a number of industries. This is a complex and challenging situation, but digitalisation is first and foremost an exciting opportunity to deliver great customer experiences in new ways. To make everyday services easier and more convenient to use and to create more personalised and relevant solutions for each customer, whether a large international company or a young household customer.

To facilitate the development of more convenient customer solutions and systems that efficiently fulfil the increasing monitoring and reporting requirements under the new regulation, we are simplifying processes in all parts of the bank. As part of this process, we will increase our IT investments by 30-35% over the coming years and build new core banking and payment platforms, significantly increasing our agility, benefits of scale and resilience.

Also in the digital future the highly committed and skilled employees in every part of Nordea will make the difference. With our values and relationship strategy guiding our work and our strong financial performance as foundation, we continue the journey towards the Future Relationship Bank – ensuring great customer experiences also in the future.

Best regards

Strategy – the future relationship bank developing

Our relationship strategy and leading market positions have created and continue to create significant value for all our stakeholders. This has been achieved by focusing efforts on customers' needs in a cost-efficient manner, managing our capital base and maintaining our low-risk profile and low earnings volatility. The needs of customers and our relationship strategy are also the starting point for our return on equity target of 13% at the required common equity tier 1 (CET1) ratio, taking prevailing low interest rates into account. Nordea aims at operating with a CET1 capital ratio of approx. 15%, including a management buffer.

Nordea is a universal bank guided by its established customer-centric and advisory-led relationship strategy. The main pillar supporting this strategy is our awareness that our success and the purpose of our operations start with meeting the needs of our customers. Moreover, our long-term strategic objectives reflect our conviction that we are an integral part of the societies we serve. Our aim is to be an enabling, positive force for customers, society and investors by focusing on creating a sustainable business model for all our stakeholders.

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

Our roadmap towards the future is primarily a result and reflection of the needs of our customers and the challenging macroeconomic and regulatory environment in which we operate. Our work begins with the customer, as we strive to provide Great customer experiences and holistic financial solutions in a low-risk, efficient and diversified manner. In operational terms, we have during the last four years had a clear focus on constantly improving our cost and capital efficiency in order to maintain a sustainable operating model, secure competitive offerings and remain a solid banking institution. By servicing our customers and fine-tuning our business system, we are convinced that we can continue to access funding at competitive price levels, lend to the real economy and deliver an attractive return on equity and top-tier total shareholder return among European peers.

In order for our banking model to evolve going forward, we will continue to work with our main focus areas:

- Balanced customer focus – Building on a customer-centric organisational design, we strive to deliver the right products in the right manner at the right price. In all of our business areas, we provide a full suite of advice-driven products continuously adapted to the changing demand and environment. Our focus is to be close to our customers' needs, and thereby be the natural choice when customers choose the advisor for their event-driven transactions – be they corporate or household related.

- People focus – We nurture clear values and principles, reflected in our objectives, how we lead, listen to, develop and support our people. Our values and leadership are the

> The needs of customers and our relationship strategy are the starting point for our return on equity target of 13% at the required common equity tier 1 (CET1) capital ratio, taking prevailing low interest rates into account.

strongest drivers of performance and corporate culture. We believe in putting people first – Nordea can reach its goals only if its employees reach theirs.

- Value chain optimisation – Our three business areas' value chains are designed to support the focused relationship strategy. Having one operating model and business area ownership of the end-to-end value chain ensures a comprehensive view, accountability and congruity. It safeguards operational efficiency by improving the quality of customer relationships, increasing the time spent with customers and reducing the time required to bring new products and services to market.
- Simplification – In order to continue to deliver Great customer experiences in the face of digitisation, changing customer behaviour and increased operational regulations we need to become more agile and realise the full potential of our scale while ensuring continued resilience. To do so, we will continue to adopt and develop best practice and strive for transparency and reduced complexity in our products and processes. In addition, we have launched a programme and investments to make the transition to a New Core Banking Platform, a New Payment Platform, and a Group Common Data Warehouse.
- Trust and responsibility – Our continued focus on compliance, and emphasis on implementing new rules and regulation quickly, make it possible for us to capture the benefits of the compliance driven investments also in the form of a deeper understanding of our customers and risks.

Nordea benefits from the strong combination of leading businesses in the Nordics, and global capabilities well on par with international peers within prioritised product segments. This enables us to reap the benefits of both relationship banking and economies of scale.

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 relationships

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

Household strategy

Household customers are divided into four segments, based on their business with us. For each segment, a distinct 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 customers – thus ensuring loyalty, brand value and increasing business and income. Prices are transparent and generally non-negotiable. We have a broad and competitive product range, a highly skilled product organisation and strong distribution power. Product development is geared towards reducing complexity and developing capital-efficient products, in order to meet both the demands of customers and regulatory requirements. Our savings offering is designed to take into account each customer's wealth, level of involvement, stage of life and risk appetite.

We pursue a multichannel distribution strategy. The aim is to improve customer satisfaction while reducing the cost of service. Customer interaction is conducted through local branches, contact centres, video meetings, online services and the mobile bank – the latter of which is becoming increasingly important. We proactively offer recurring advisory meetings to all existing and potential relationship customers, taking their entire finances, risk/return profiles and long-term objectives into account in order to provide a comprehensive financial solution.

Corporate strategy

Corporate customers are also divided into four segments, based on their business potential and the complexity of their banking needs. For each segment, we have developed a distinct value proposition – including contact policy, service level and product solutions – to provide comprehensive offerings and ensure "house bank" relationships. Relationship managers take holistic views of the customers' situations and targets, and organise the relationships accordingly. Our strength and size as the foremost banking group in the Nordics enable us to offer leading solutions to the benefit of our corporate customers.

Our strategy towards our largest corporate customers has proven robust during the ongoing transformation of our industry. We remain committed to becoming the leading bank in the wholesale segment in all our Nordic markets.

Segmentation and value proposition – Household customers

Segment	Customers, 000s	Criteria and Value proposition
Private Banking	112	Assets > EUR 250k The best Nordea has to offer
Gold and Premium	3,159	Volume > EUR 30k, no. of products > 5 Named advisor – priority in access – best fixed price
Silver	1,500	Volume > EUR 6k, no. of products > 3 Personal service when needed – favourable price
Bronze	3,600	Active customer Basic service – fair price

Segmentation and value proposition – Corporate customers

Segment	Customers, 000s	Value proposition
Wholesale Banking	12	Strategic partnership – sponsor, customer team and named adviser – tailored, individual solutions
Large	33	Partnership – named adviser and specialists – individual solutions
Medium	80	Business relationship – named adviser – individual solutions – standard products
Small	460	Standardised offering – basic service – efficient handling

The Nordea share and shareholders

Nordea's return on equity (ROE) target is 13% at the required common equity tier 1 (CET1) capital ratio, taking prevailing low interest rates into account.

Nordea's market capitalisation at the end of 2014 was EUR 38.9bn (EUR 39.7bn the year before). Ranked by market capitalisation, Nordea was the fourth largest company in the Nordic region and among the ten largest European financial groups.

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

Share price performance

In 2014 the Nordea share price appreciated 5% on the Nasdaq Stockholm exchange from SEK 86.65 to SEK 90.90. The daily closing prices listed for the Nordea share in 2014 ranged between SEK 84.25 and SEK 100.00. In 2014, the Nasdaq OMXS30 index appreciated by 10% and the STOXX Europe 600 Banks index depreciated by 3%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 155%, clearly outperforming the STOXX Europe 600 Banks index (–44%) and the Nasdaq OMXS30 index (–5%).

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

Total shareholder return 2014

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2014 was 9% (45% in 2013). Nordea ranked number ten among the European peer group banks in terms of TSR in 2014 (number nine in 2013, number 14 in 2012, five in 2011, nine in 2010, seven in 2009, two in 2008 and number three in 2007 and 2006.) The average TSR for the peer group was 6%.

Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2014, with an average daily trading volume of approx. EUR 120m, corresponding to approx. 13 million shares. Turnover on all stock exchanges combined totalled EUR 31bn in 2014, corresponding to 3.1 billion shares.

A large part of the total trading takes place on new alternative trading and reporting venues. 25% of the total volume traded in Nordea shares takes place over other exchanges such as BATS Chi-X Europe, Burgundy and Turquoise. Out of the total number of Nordea shares traded in 2014 on Nasdaq, approx. 84% were SEK-denominated, 9% EUR-denominated and 7% DKK-denominated.

Share capital

According to the Articles of Association, shares in Nordea may be issued in two classes, ordinary shares and C-shares. The share capital amounts to EUR 4,049,951,919, which equals to the total number of shares in the Company. All shares are ordinary shares. There was no change in share capital or in the number of shares in 2014.

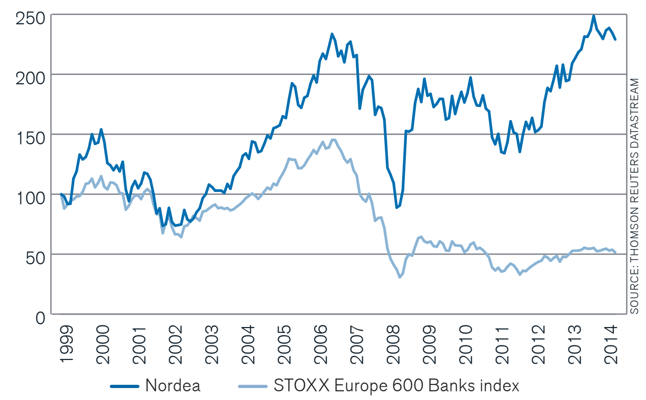
All ordinary shares in Nordea carry voting rights, with each share entitling to one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

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

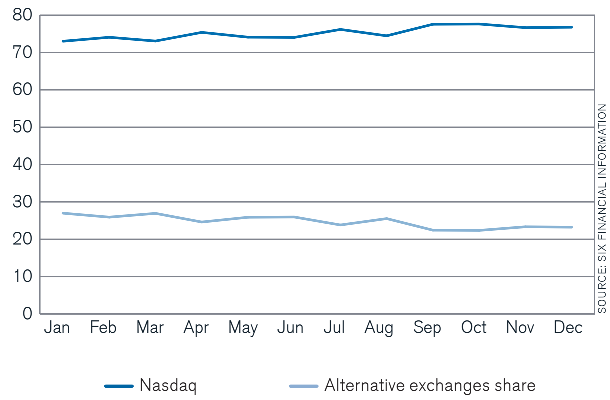
Capital policy

Nordea's current capital policy states that the Nordea Group should have a target minimum of 13% in CET 1 and 17% in total capital ratio. Nordea's current view is that the bank should operate with a CET1 ratio of approxi-

Nordea share performance compared to European banks, 2000–2014



Turnover of the Nordea share in stock exchanges, 2014



mately 15%, including a management buffer, although there is still some regulatory uncertainty.

Proposed dividend and dividend ambition

The Board of Directors proposes a dividend of EUR 0.62 per share for 2014. The total dividend payment for 2014 would then be EUR 2,501m, corresponding to a payout ratio of 70% of the net profit after tax excluding the net effect from the charge for impairment of intangible assets of EUR 344m. The dividend yield calculated on the share price at 30 December 2014 is 6.4%.

The ambition for the dividend is to increase the payout ratio in 2014 and 2015, while maintaining a strong capital base.

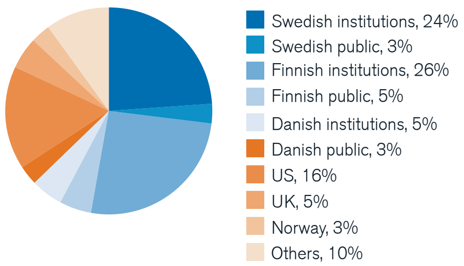
The dividend is denominated in EUR, Nordea's accounting currency. The payment currency depends on the country in which the shares are registered. Owners of shares registered in Sweden can choose between dividend in SEK or EUR. An official exchange rate is published. In Denmark, dividends are paid in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

Shareholders

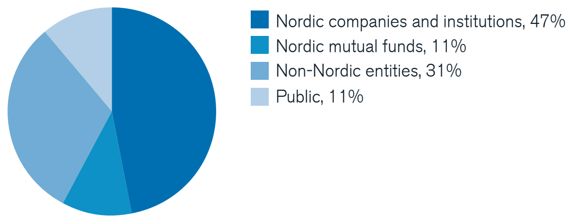
With approx. 445,000 registered shareholders at the end of 2014, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 98,000, in Finland approx. 193,000 and in Denmark approx. 154,000 – largely unchanged numbers from last year.

The largest shareholder category is Finnish institutions (including Sampo plc), with a 26% holding of Nordea shares at year-end. Swedish institutional shareholders held 24% while non-Nordic shareholders held 31% of the capital at the end of 2014 (unchanged from last year). The largest individual shareholder is Sampo plc with a holding of 21.4%.

Shareholder structure, 31 Dec 2014



Type of shareholders, 31 Dec 2014



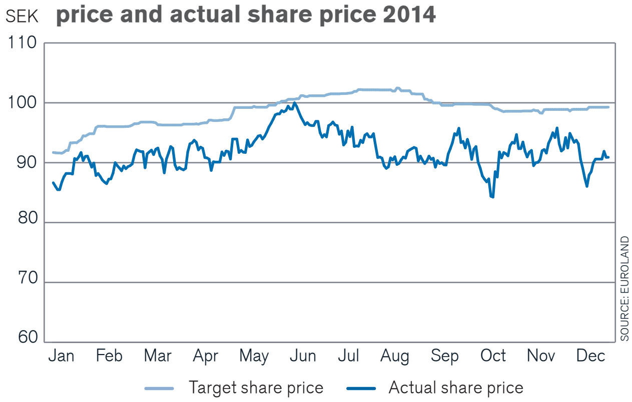
SOURCE: SIS ÄGARSERVICE, NORDIC CENTRAL SECURITIES DEPOSITORY, VP ONLINE

Largest registered* shareholders in Nordea, 31 Dec 2014

Shareholder	No of shares, million	Holdings %
Sampo plc	860.4	21.4
Nordea-fonden	158.2	3.9
Swedbank Robur Funds	138.9	3.4
Alecta	97.0	2.4
AMF Insurance & Funds	76.2	1.9
Norwegian Petroleum Fund	60.1	1.5
SHB Funds	58.6	1.5
Fourth Swedish National Pension Fund	43.6	1.1
SEB Funds	39.3	1.0
Saudi Arabian Monetary Agency	38.6	1.0
Nordea Funds	37.7	0.9
AFA Insurance	34.3	0.9
First Swedish National Pension Fund	34.1	0.8
Fidelity Funds	29.6	0.7
Varma Mutual Pension Fund	28.9	0.7
Skandia Life Insurance	28.0	0.7
Third Swedish National Pension Fund	26.4	0.7
Didner & Gerge Funds	25.5	0.6
Vanguard Funds	24.9	0.6
SPP Funds	24.2	0.6
Total, 20 largest shareholders	**1,864.5**	**46.3**

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

Nordea share, equity analysts' average target price and actual share price 2014

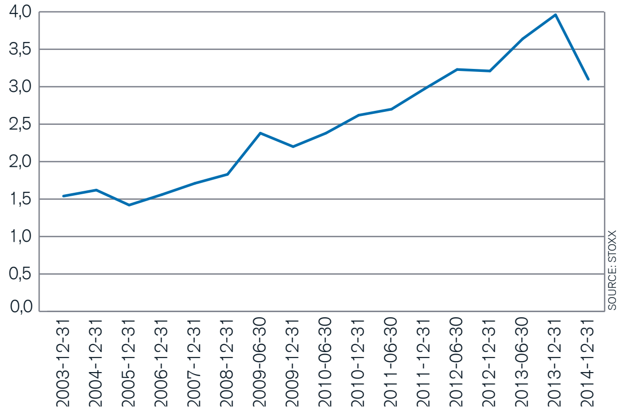


Nordea share, monthly turnover on different stock exchanges 2014, %

Month	Nasdaq	BATS CHI-X	Burgundy	Turquoise
January	73.0	16.3	0.8	9.8
February	74.1	14.3	0.5	11.1
March	73.1	12.0	0.3	14.7
April	75.4	12.7	0.2	11.8
May	74.1	13.7	0.2	12.0
June	74.0	15.1	0.3	10.6
July	76.2	15.4	0.2	8.2
August	74.5	17.1	0.4	8.0
September	77.6	14.9	0.2	7.3
October	77.6	15.8	0.4	6.2
November	76.7	17.1	0.1	6.1
December	76.8	16.3	0.1	6.9

SOURCE: SIX FINANCIAL INFORMATION

Nordea weighting in the STOXX Europe 600 Banks index, %



Distribution of shares, 31 Dec 2014

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	328,022	74%	101,513,436	2%
1,001–10,000	109,956	25%	267,841,992	7%
10,001–100,000	6,162	1%	149,592,851	4%
100,001–1,000,000	833	0%	275,602,125	7%
1,000,001–	360	0%	3,239,482,328	80%
Total	**445,333**		**4,034,032,732**	

Share data 5 years

	2014	2013	2012	2011	2010
Share price	SEK 90.90	SEK 86.65	SEK 62.10	SEK 53.25	SEK 73.15
High/Low (SEK)	100.00 / 84.25	86.65 / 62.10	66.90 / 51.55	79.60 / 48.30	76.00 / 60.30
Market capitalisation	EUR 38.9bn	EUR 39.7bn	EUR 29.3bn	EUR 24.2bn	EUR 33.0bn
Dividend	EUR 0.62[2]	EUR 0.43	EUR 0.34	EUR 0.26	EUR 0.29
Dividend yield[3]	6.4%	4.2%	3.8%	3.8%	3.6%
TSR	9.2%	44.6%	21.0%	–24.4%	3.7%
STOXX Europe 600 Banks index	–2.8%	19.0%	23.1%	–34.0%	–27.0%
P/E (actual)	11.7	12.7	9.3	9.7	12.36
Price-to-book	1.31	1.35	1.03	0.92	1.34
Equity per share	EUR 7.40	EUR 7.27	EUR 6.96	EUR 6.47	EUR 6.07
Earnings per share[4]	EUR 0.83	EUR 0.77	EUR 0.78	EUR 0.65	EUR 0.66
Outstanding shares[1]	**4,034,032,732**	**4,031,635,539**	**4,029,683,426**	**4,029,023,222**	**4,027,129,675**

1) Excluding shares held for the Long Term Incentive Programmes.
2) Proposed dividend.
3) Dividend yield for 2010 to 2013 calculated at starting price on payment day and for 2014 calculated at price per 30 December 2014.
4) Diluted earnings per share, total operations.

Change in share capital[1]

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
2 May–12	New issue[9]	1.00	2,679,168	3	4,049,951,919	4,050

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.
9) C-shares issued for the Long Term Incentive Programme 2012. Converted to ordinary shares 3 May 2012.

Great people create great customer experience

We can only achieve our goal of ensuring a great customer experience if we employ the right people and develop them in the right way. Recruiting, developing, motivating and retaining the best people are therefore among our highest priorities.

Staying value-driven

Our values – Great customer experiences, It's all about people and One Nordea team – continue to underpin our People strategy and drive everything we do. The values are incorporated in all our processes, training and leadership, as well as forming the basis for our leadership capabilities.

Enhancing our leadership

At Nordea, we put relationship first, striving to create superior value for every one of our customers and shareholders. We know that requires strong leadership – since great leaders are a prerequisite for great employees. Leadership is one of the most important drivers of culture, performance, motivation and job satisfaction. How our leaders perform is key to how our people perform, which in turn impacts the quality of our customer's experience. Our leaders also have an important role in helping the staff to live the company values.

When the world changes, leaders have to change. When leaders are remote from their direct reports –perhaps even in another country – it is even more important that they are 'present' in the way they manage. They need to be very clear about responsibilities, what tasks need doing and how people are expected to perform. Increasingly, leaders will be held accountable for developing the talents that report to them and creating the right team to lead the future relationship bank.

Managing our talents

Ensuring that our customers have a positive experience in their dealings with us is central to everything we do. It is therefore critical that we employ, develop and retain the people who are best placed to help us deliver this goal.

We have identified some of the most critical competences we think our employees need to have today and in the future. These include leadership capabilities, strong execution and agility and not least the ability to understand and relate to our customers. Having identified those competences, we target our recruitment activities to the most suitable candidates. While we are the leading Nordic bank, we also hire from outside the Nordic region to ensure we find the best people we can.

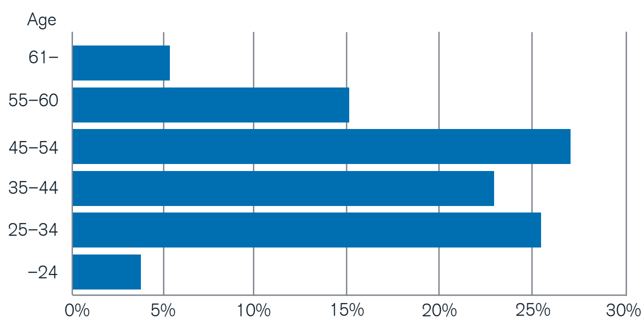
More information is available in the section about People in Nordea's CSR Report 2014 about how we in Nordea view Leadership, Performance and Talent Management as well as how we work to improve the gender balance.

Number of employees, by area or function (continuing operations, excluding Polish operations)

Full-time equivalents (FTEs)	2014	2013
Retail Banking	**16,685**	**17,273**
Banking Denmark	3,253	3,411
Banking Finland	3,717	3,949
Banking Norway	1,338	1,405
Banking Sweden	3,040	3,250
Banking Baltic countries	730	727
Retail Banking other	4,607	4,531
Wholesale Banking	**5,985**	**6,008**
Corporate & Institutional Banking	214	169
Shipping, Offshore & Oil Services	80	87
Banking Russia	1,348	1,405
Capital Markets Products	2,244	2,272
Wholesale Banking other	2,099	2,075
Wealth Management	**3,478**	**3,452**
Private Banking	1,231	1,216
Asset Management	592	564
Life & Pensions	1,078	1,130
Savings	327	319
Wealth Management other	250	223
Group Corporate Centre	2,319	1,830
Group Risk Management	468	473
Other units	462	393
Nordea Group	**29,397**	**29,429**

Employees distributed by age

% of employees 31 Dec 2014



Employee satisfaction survey results

ESI, index	2014	2013	2012
Satisfaction and motivation	71	72	72
Development	73	73	73
Considered a good workplace	75	77	74
Proud to tell others where I work	77	79	77
Recommend others to start working in Nordea	71	74	72

Adjusted, excluding Polish operations

CSR performance counts

Nordea is actively committed to building trust in the financial industry by increasing our transparency, improving engagement with our customers and always acting with integrity.

We want to use our capabilities and competencies not only to have a financial impact, but to have a social impact too. The two go hand in hand. Conscious of our responsibilities, we can operate in a way that makes a difference to the lives of individuals and to society at large.

Focused on performance

Our commitment starts with taking a more structured and integrated approach to sustainability. Over the past year we have developed group-wide CSR focus areas at the core of our business. Approved by our CSR Committee in November 2014, these focus areas are the first step in setting a new CSR ambition level and measuring our CSR performance. These are being implemented within the business areas, and coordinated by the CSR Committee.

CSR as part of our identity

In 2014, the CSR unit, Group Identity & Communications and Group Marketing were brought together into a new unit, Group Marketing and Communications headed by Helena Andreas, reporting to the CEO. This structure enables us to make sustainability an integral part of Nordea's brand and to fully use our strong business-driven CSR activities in our communications. Alongside this, our new CSR governance model ensures we are placing these issues at the centre of what we do by driving decision-making into our business areas.

Acting with integrity

Through managing risk and operating with integrity, we build trust and perform better. Our Operational Risk and Compliance Awareness Programme ensures that our employees are fully aware of these policies and commitments. Our whistle-blowing system, Raise Your Concern, complements this programme. It encourages employees to speak up if they have a serious concern about any misconduct or irregularities, including any action that constitutes a violation of laws or regulations, or of Nordea's internal policies, instructions or guidelines. In 2014, three cases were reported and two are still under investigation.

Understanding our place in society

As a bank, we are a source of finance and a trusted financial partner, generating financial value directly for our customers, suppliers, business partners, employees, shareholders, the companies in which we invest, and other investors. We generate social value through the benefits our products bring to people, through our community programmes, and by paying taxes. Moreover, since we are significant owners of the companies in which we invest, we can encourage those companies to operate more responsibly, both in our own home markets and globally.

As we further develop our CSR programme in the years ahead, we are confident we can create a positive impact through all of our roles in society and generate more value for all of our stakeholders.

"We have a responsibility to think and act in the long term. With clarity, transparency and commitment, I am sure we can do more and see Nordea have a greater positive impact on society."

Gunn Wærsted,
Head of Wealth Management

Our approach to CSR

"We aim to create shareholder value, great customer experiences and be an attractive financial employer in the markets where we operate. And we strive to do so in a way that benefits society in the long term.

"To do this, we need to be clear about what kind of business we should and shouldn't do and transparent about how we have reached our decisions. That will mean some difficult discussions but we have a willingness to work through those to reach the best outcome. One that is consistent with our values.

"We will not shy away from these issues just because they are challenging. We will accept this is a complicated area and deal with it. What we must remember is that this is not about being perfect, it is about striving to become better."

Gunn Wærsted, Head of Wealth Management, Chairman of the CSR Committee

Nordea's CSR Report 2014, available on www.nordea.com/csr

Business Areas

Business Areas are very well positioned

Retail Banking

- Largest and most diversified retail bank in the Nordics
- Successful relationship model
- One shared Nordic operating model with scale benefits

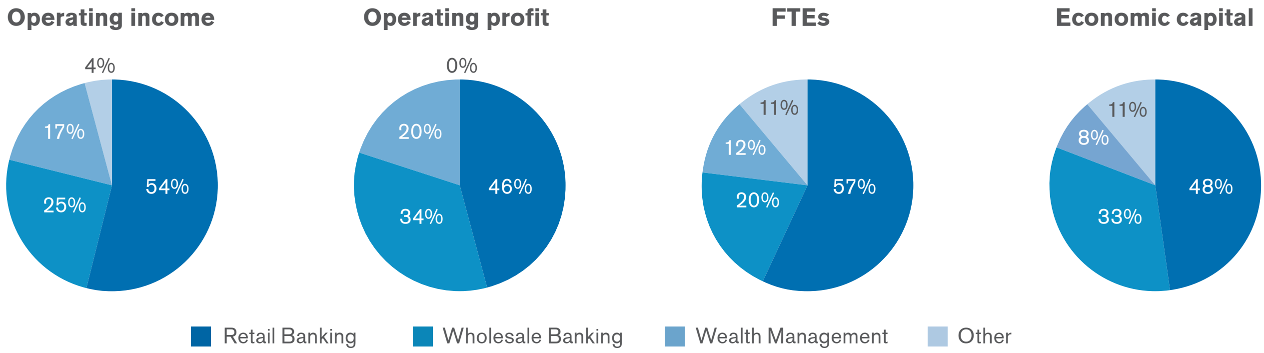
Wholesale Banking

- Leading wholesale bank in the Nordics
- Uniquely positioned combining strong local presence with global product capabilities
- Successful business model transformation ongoing

Wealth Management

- Largest private bank, asset manager and life & pensions provider in the Nordics
- Fast growing wealth manager supported by both Nordic and international growth
- Strong product and advisory capabilities as demonstrated by investment outperformance and solid and well diversified flow

Business Area contribution, 2014



Market positions, 2014

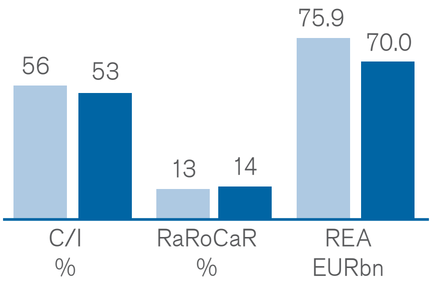
	Denmark	Finland	Norway	Sweden	Estonia	Latvia	Lithuania	Russia	Shipping int'l, Lux.	Total
Number of customers, 000's										
Corporate customers	51	176	87	229	21	10	7	3	2	587
Household customers										
Household customers in customer programme	1,616	2,138	796	3,335	131	105	158	19		8,298
– of which Gold and Premium customers	729	1,025	315	1,025	30	18	16	2		3,159
(change 2014/2013, %)	0%	1%	6%	3%	19%	8%	2%			2%
Private Banking	45	28	11	19	1	1	0.5	n.a.	6	112
(change 2014/2013, %)	1%	–1%	4%	–1%	13%	5%	24%			1%
Net banking, active users	1,018	1,374	356	1,479	112	107	145	n.a.		4,591
(change 2014/2013, %)	5%	2%	8%	0%	17%	6%	0%			3%
Number of branch locations	156	183	87	231	15	13	10	18		713
Market shares, % (change 2014/2013, %–points)										
Corporate lending	24 (0)	34 (–1)	13 (0)	14 (0)	22 (0)	17 (0)	11 (–2)	1 (0)		
Corporate deposits	29 (1)	40 (–3)	13 (1)	14 (–1)	12 (–1)	7 (0)	13 (3)	<1		
Institutional investment funds	3 (–1)	39 (6)	8 (–1)	4 (–4)						
Household investment funds	18 (1)	23 (–1)	17 (1)	13 (0)						
Life & Pensions	15 (0)	44 (5)	18 (3)	8 (2)						
Household mortgage lending	17 (0)	31 (0)	11 (0)	16 (0)	16 (0)	19 (1)	12 (0)	<1		
Consumer lending	20 (0)	31 (0)	7 (0)	7 (0)	7 (1)	2 (0)	9 (0)	<1		
Household deposits	23 (0)	30 (-1)	8 (0)	15 (–1)	7 (1)	6 (0)	3 (1)	<1		

Business Area
Retail Banking

2014 performance and strategic direction

- Deliver on the 2013–2015 financial plan
- Diversified franchise covering the Nordics and Baltics delivering growing income with low volatility
- High customer activity and many new customers, 90,000 externally acquired relationship customers in 2014, 1.8 million customer meetings
- Top line growth was to a large extent reflecting good savings and payments commission income, as well as a strong net result from items at fair value, partly driven by foreign exchange. Operating profit increased by 12%
- Reduced net loan losses
- Developing a true multichannel relationship bank

Key figures



Nordea has the largest customer base of any financial institution in the Nordic region. Retail Banking serves around 10 million household and 570,000 corporate customers in seven markets through a multitude of channels. Household and corporate customers are served on all financial needs. The business area incorporates the whole value chain including advisory and service staff, channels, product units, back office and IT. Retail Banking operates under one common strategy, operating model and governance system across markets. In each of our markets, our main focus is to deliver great customer experiences.

Strategy

Retail Banking's ambition is to create a leading retail banking operation in the Nordic region in terms of customer experience, profitability and efficiency. The ambition builds on a strong commitment to relationship banking.

The banking sector and particularly the Retail part is transforming, with swiftly changing customer behaviour in the direction of using services and receiving advice online.

To cater for the changing customer needs and preferences, we strengthen our online offerings. The goal is to build broad and deep relationships with our customers also online. Rather than just providing a customer with one single product, our ambition is to create online solutions for those personal and corporate customers who want a full-service solution. In addition, we work on simplifying and digitising our key processes and products to deliver scale, reduce costs and make it easier and more convenient to bank with us.

Nordea is open for all customers. Segmentation, differentiated value propositions, emphasis on servicing the full customer wallet, capital efficiency and fair pricing are the tools to make all customer relations profitable. The relationship customers have access to our advisers in order to cover their banking needs. Our household and corporate advisers are also proactively contacting customers with further business potential.

We witness fast changes in customers' way of using the bank these years. Customers increasingly make use of our online services and want to interact when and where they want to. We thus continuously expand the opportunities for customers to interact with us as they prefer, whether it be through mobiles or tablets, calling our contact centre, using the Netbank, meeting an adviser in a remote net meeting, chatting with an adviser or getting a fast answer to an inquiry via Facebook etc.

Across channels we had close to 656 million interactions with our customers throughout the year. We aim to get the customer experience right in each touch point as each of these is an opportunity to deliver good customer experiences and to advise, serve and sell to our customers.

Nordea's branch network has been adjusted in accordance with the changes in customer behaviour where our customers conduct significantly fewer manual transactions. We have today a more efficient and customer-focused branch network with proportionally more of our employees focusing on advising customers.

We will continue to support our customers' good projects while controlling and optimising scarce resources, attract new relationship customers to bank with us while expanding business with our existing customers.

Capital management is concentrated to three areas:
- Allocating capital to the most profitable business
- Capital-optimisation of individual customer relationships, securing less capital-intensive solutions
- Efficiency in models and internal processes.

The main drivers for keeping costs down derive from optimisation of processes, continued optimisation of the distribution mix, digitalisation, a continued reduction of manual cash handling combined with customers' increased use of online banking solutions. In addition, manual processes are being further centralised, automated and some of them off-shored to the Nordea Operation centre in Poland.

Business development

Weak macroeconomic environment with interest rates at record-low levels continued to affect the business. Investments were subdued, resulting in weak demand for financing from corporate customers.

The number of Gold and Premium household customers amounted to 3.16 million, of whom 90,000 were new Nordea relationship customers, and 1.8 million household and corporate advisory meetings were held.

The swift transformation of our customers' behaviour continues, as they increasingly use our online services and interact with us whenever and wherever they prefer to. In 2014 the number of mobile transactions increased by 90%, illustrating the pace of the changing behaviour.

Within the corporate business, initiatives to improve capital efficiency and ancillary income were successfully initiated. Further measures were taken to focus even more on customers' needs and our firm belief is that we by this customer centric focus, in combination with our size, can give the best customer offering.

Result

The depreciation of the SEK and NOK has had a substantial impact on the reported financials, especially on volumes.

In local currencies, total income increased by 4% from the previous year. The growth came from all major income lines and was driven by all countries.

In local currencies, lending volumes increased by 3% while deposit volumes grew by 1%, despite the low interest rate environment. Net interest income improved by 3%, driven by the lending book.

Net fee and commission income showed a steady growth, driven by the development in the savings area as well as payment commissions. Net result from items at fair value increased by 9% in local currencies, partly driven by FX transactions.

Our cost efficiency programme is progressing as planned. Processes are optimised and distribution is adjusted to better reflect changed customer behaviour as manual transactions continue to decrease. The number of FTEs continued to decline and total expenses were down by 1% in local currencies.

The risk exposure amount (REA) decreased during the year following the weakening of the NOK and SEK and a continued focus on capital efficiency. RAROCAR increased by 1.6 %-points.

Credit quality

Net loan losses decreased and the loan loss ratio was 19 basis points (21 basis points in 2013). This was driven by the development in Denmark and Sweden.

Banking Denmark

A continued high activity level with customers paved the way for increased business volumes, leading to higher total income despite decreasing interest rates and weak GDP development. The high level of inflow of both new corporate and household customers was maintained and the cost efficiency programme continued to be on track with lower year-over-year costs and a lower number of FTEs. Loan losses included a collective provision related to agriculture, but continued down.

Banking Finland

Operating profit increased substantially, driven by improved income and flat costs. A positive development in the lending spreads was the main driver behind the good net interest income. Net fee and commission income was higher than in 2013, mainly as a result of the higher stock market values. Foreign exchange and derivatives in the fourth quarter were important factors for the high net result from items at fair value. Expenses were flat. The number of FTEs decreased by 6% from December 2013. Net loan losses increased from 2013, but are still at a relatively low level, especially considering the weak macroeconomics.

Banking Norway

The weakening of the NOK, due to a significant reduction in oil prices, had a substantial impact on the reported income and expense development. Customer activity was however high in 2014, which was also reflected in the business volume development with solid growth in local currencies both for household and corporate. Cross

"Based upon our customers' needs and preferences we aim to advise, serve and sell in every customer touch point"

Lennart Jacobsen is Head of Retail Banking.

"Throughout 2014 we have attracted many new relationship customers, boosted the mobile banking usage and improved capital efficiency. We have won new customers from all parts of the countries and across all ages. The constant inflow of new relationship customers substantiates Nordea's strong position. So does the fact that we on average get 1,000 new mobile banking users every single day. People as well as companies increasingly turn to online and mobile to handle their banking needs. The rapid development in customers' behaviour puts high demands on us, but it first and foremost provides us with a fantastic opportunity to deliver great customer experiences on more platforms than previously. Our focus is on expanding the concept of personal banking beyond the branch providing a personalised service and customer experience also online." says Lennart Jacobsen, Head of Retail Banking.

sales activities continued and ancillary income grew compared to 2013. Capital efficiency and risk pricing was a focus area in 2014 as well and, despite the high volume inflow, REA continued to decline.

Banking Sweden

In 2014 the improving trend of the Swedish economy was under pressure which by year end resulted in the Riksbank lowering the central bank rate to 0%. Corporate customers' demand for financing remained modest while competition for new lending contracts remained fierce. Household business volumes however continued to grow in 2014, supported by an increasing amount of new customers. The low-interest rate environment put pressure on deposit volumes, but transaction-driven non-interest income increased compared to 2013. Net result from items at fair value included income of EUR 27m from the sale of a debt collection portfolio.

Banking Baltic countries

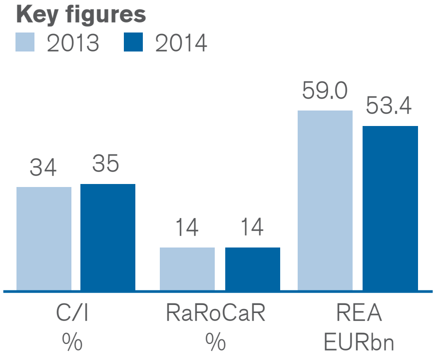
The growth in total income was driven by net interest income, which in turn was a result of a favourable direction of lending spreads especially on the corporate market. Staff costs increased, but total expenses were kept at the same level as 2013. Lending volumes were down 2%, whereas the strengthening of the relationship strategy with a focus on mass-affluent customers helped to grow deposit volumes and thereby improved the deposit/lending ratio.

Business Area **Wholesale Banking**

2014 performance and strategic direction

- Further cemented our position as the leading wholesale bank in the Nordics
- Strengthening of the relationship strategy with intensified local interaction and value-creating solutions
- Reinforced capital markets franchise with more balanced business mix
- The leading Nordic equity house
- The leading Nordic bond house
- Launch of talent management programme to develop internal capabilities
- Improved and broadened e-markets platform
- FICC business adapting to regulatory requirements and challenging trading environment
- The weak economy and challenging trading environment led to a declining operating income
- Continued strict resource management resulting in reduced REA and a highly competitive cost/income ratio

Key figures



Wholesale Banking provides services and financial solutions to Nordea's largest corporate and institutional customers. The business area incorporates the entire value chain including customer and product units as well as supporting IT and infrastructure.

Wholesale Banking has a substantial lead-bank footprint in all Nordic markets, supported by a competitive product offering and a well-diversified business mix. The leading position is leveraged to further strengthen customer relationships and drive cross-selling and income growth, and to provide customers with access to attractive financing in the capital markets.

Wholesale Banking focuses on increasing returns through continuous improvements and strict resource management. Effective business selection and a strengthened customer service model support income development and capital allocation.

Strategy

The business area has since 2011 undergone a large transformation developing and advancing the organisational platform. These endeavours have resulted in the strongest wholesale bank in the Nordics with number one rankings and leading positions across product offerings.

Wholesale Banking's strategic position and operating model are built on global product capabilities and strong local presence in securing the position as leading relationship bank. In view of increased regulation and a changing business environment, a repositioning of the business has taken place. With this, Nordea has successfully cemented its lead position as the number one Wholesale Bank in the Nordics.

Wholesale Banking advocates a solution-oriented approach with a customer-centric and return-driven culture focused on value creation. Central to this is our strong culture of business selection and discipline, at both customer and transaction level when allocating resources, and monitoring and managing customer profitability.

A Nordic operating model is deployed throughout Wholesale Banking to leverage our core capabilities and scale. These core capabilities have in turn been strengthened through focused recruitment and emphasis on talent management. Essential to this is to drive the success of customers, people and business in alignment with our values.

Core for the relationship strategy is a close interaction of units across Wholesale Banking. This is strengthened via our integrated financing and capital markets platform. From

Casper von Koskull is Head of Wholesale Banking.

“With a strengthening of our local profile while sustaining our global scale we have taken an additional step in seamlessly delivering WB towards the customers”, says Casper von Koskull, Head of Wholesale Banking.

“In 2014, we enriched our local footprint ensuring alignment towards the customer with more agile and responsive business decision processes. Strong team work and coordination of activities have proven a leverage of our strategy in the local markets during challenging market conditions.”

financing of corporates and institutions via lending, bond issuance and equity with associated risk management solutions, to linking issuers with our extensive investor base. We call this teaming up for success.

Business development

Wholesale Banking continued to further consolidate its leading market position throughout the year. The market sentiment and relentless competition for market position continued to affect customer activity.

FICC adapted well to the challenging regulatory and macroeconomic environment with a business model proven relatively robust. Development of the business is well under way responding to the increased capital requirements and the changing market micro structure.

The disintermediation of banks in the loan market affecting the lending volume and re-pricing opportunities was evident through the year. This was largely offset by strong capital market activities.

A successful execution of capital market financing and focus on cross-selling supported Nordea’s leading position as preferred corporate advisor leading to key roles in numerous major value-adding transactions.

Wholesale Banking’s successful relationship strategy was recognised externally with a flourish of top ranks and awards. Among other, Nordea was awarded Best Bank, Best Investment Bank and Best Trade Finance Bank 2014 in the Nordics by Global Finance, and was for the fifth consecutive year given the StarMine Award. Positions as number one in league tables confirmed our strong capital market franchise throughout the year.

Banking

Corporate customer activity was modest whereas the event-driven activities improved with a number of large transactions. Daily business was relatively stable with no larger fluctuations in margins and transaction flows at normal levels during the year.

Institutional customer activity was challenged by the macroeconomic environment with low interest rates and low volatility leading to a subdued sentiment for risk management products.

Customer activity in Shipping, Offshore & Oil Services was moderate for the year with improved business activity in the tanker segment. Offshore & Oil Services experienced weaker market conditions mainly as a result of reduced oil prices and increased uncertainty related to future exploration and production spending in the oil industry.

In Russia, customer activity was at a satisfactory level, despite the RUB volatility and the geopolitical turmoil, causing a slowdown in the economy and low capital investments. Monitoring of the development continued and Nordea is well prepared in case of further escalation.

Capital markets
FICC delivered a strong result despite 2014 being characterised by low interest rates, low volatility, low risk premiums and compressed margins. A decline in topline seemed to bottom out during the summer as customer activity generally picked up in the second half of the year, especially within asset products. Hedging activity also increased during the same period as volatility picked up slightly. Throughout the year, FX volumes were strong partly offsetting the compressed margins.

The primary bond issuance improved. Particularly the high yield sector benefitted from investors' search for yield further strengthening the Nordic fixed income market. Strong corporate balance sheets, liquid financing markets and the low interest rates fuelled M&A activity in the Nordic region in 2014 making it the most active year since 2007. The ECM market overall was down slightly from 2013, but high asset prices made it the largest IPO market in years.

Equities business improved during 2014, with both secondary and primary equity contributing positively throughout the year, proving a strong result in all aspects of the business. The Nordic efforts were strongly backed by the UK client franchise established in the beginning of the year targeted towards the international clientele. By all measures Nordea strengthened its position as the best Nordic equity house as most recently evidenced by the Nordic Prospera 2014 review.

Credit quality
Net loan losses amounted to EUR 98m. The loan loss ratio was 10 basis points (26 basis points in 2013). In Shipping, Offshore & Oil Services, net reversals were reported of EUR 37m compared to net loan losses of EUR 95m in 2013. The loan loss ratio in Corporate & Institutional Banking was 32 basis points (45 basis points in 2013) and in Banking Russia 24 basis points (net reversals in 2013).

Result
Total income was EUR 2,449m, a decrease of 3% in local currencies from the previous year (-6% in EUR). The shift in income composition from items at fair value to fee and commission income was underlined by the year-over-year development.

Total expenses decreased by 2% in local currencies from the previous year (-6% in EUR). Continued strict resource management resulted in lower REA and a competitive cost/income ratio, up somewhat compared to the previous year.

Operating profit increased to EUR 1,506m, up 6% in local currencies from last year (+3% in EUR). The business area RAROCAR amounted to 14%.

Corporate & Institutional Banking
Total income was down by 1% compared to last year, although fee and commission income increased by 7%. 2014 was characterised by intense competition, both from international and Nordic competitors affecting the market pricing. Daily business was moderate with stable transaction flows. Event-driven transaction level was strong during the year, with some local differences. The low volatility in capital markets and stable low interest rates challenged the business mainly in the first half of the year of 2014 affecting the demand for hedging products.

Institutional customer activity was modest with a few large deals closed in the first and latter part of the year and a strong Equity activity. The income result was overall impacted by low income in the risk management activities.

Shipping, Offshore & Oil Services
Total income was up 5% compared to last year, mainly due to an increase in commission income on lending. Business activity was somewhat higher than in 2013, with stable lending volumes and the overall customer activity remained at a moderate level. The dry cargo and container markets were generally weak during the year. Loan volumes at the end of the year were EUR 11.6bn, 2% up from year-end 2013. Net reversals were reported of EUR 37m, compared to net loan losses of EUR 95m in the previous year, reflecting an improvement in credit quality.

Banking Russia
Total income increased 7% from the previous year to EUR 274m due to strong net interest income throughout the year. Average lending volumes decreased 8% in local currencies in 2014 compared to 2013, and were down by 7% in local currencies in the corporate portfolio (+2% in EUR mainly due to the appreciation of the USD, which makes up ~70% of the lending portfolio). Expenses were decreased by 11% in EUR, primarily due to the depreciation of RUB. Operating profit remained strong, up 4% in EUR from last year. This includes moderate provisions for future loan losses of EUR 15m compared to reversals in 2013.

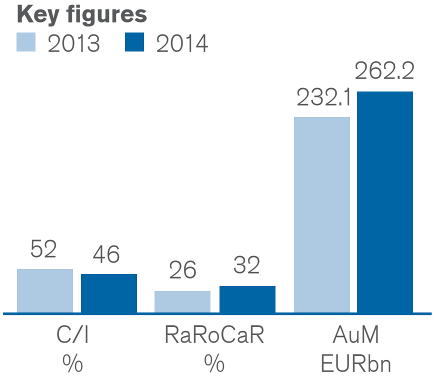
Wholesale Banking other
(including Capital Markets unallocated)
Wholesale Banking other total income was down 39% from the previous year, reflecting continuous low interest rates and subdued market activity. Wholesale Banking other is the residual result not allocated to customer units. This includes the unallocated income from Capital Markets, Transaction Products and International Units. It also includes the additional liquidity premium for the funding cost of long-term lending and deposits in Wholesale Banking. Optimisation of the business takes place in the relevant customer and product units.

Business Area
Wealth Management

2014 performance and strategic direction

- Throughout 2014 Nordea Wealth Management consolidated the position as the largest wealth manager in the Nordics
- Passed the EUR 250bn milestone in Assets under Management
- Solid income growth of 11% to EUR 1,693m, with a strong profit growth of 24%
- Record-high net flow of EUR 18.6bn
- Transformed Life & Pensions into a capital-light Life company. More than half of assets and 87% of premiums 2014, are in capital-light products
- Increased share of Bancassurance utilising scale advantages through the Nordea distribution network
- Focus kept on prioritised business units and divestments of non-prioritised business completed
- Attractive offerings supported increasing market shares in highly competitive and prioritised markets

Key figures



Wealth Management provides high quality investment, savings and risk management products. It manages customers' assets and gives financial advice to affluent and high net worth individuals as well as institutional investors.

The area consists of the businesses: Private Banking serving customers from 80 branches in the Nordics as well as from offices in Luxembourg, Zürich and Singapore; Asset Management responsible for actively managed investment funds and mandates and for serving institutional asset management customers; Life & Pensions serving customers with a full range of pension, endowment and risk products. Additionally, the area consists of the service units Savings & Wealth Offerings and Strategy, Support & Control.

Wealth Management is the largest Nordic private bank, life & pensions provider and asset manager. Wealth Management has approximately 3,500 employees, approximately 500 of whom are employed outside the Nordic region, primarily in Europe.

Strategy

It is our vision to become the leading Wealth Manager in each Nordic market, with global reach and global capabilities. To reach this position we are continuously ensuring that our business model provides our customers with high-quality advice, a high standard of service and a broad and deep offering of high-quality products through a cost and capital-efficient value chain. Throughout 2014 Wealth Management has continued the work focusing on the three strategic priorities, communicated and presented at Nordea's Capital Markets Day in 2013:

- Enhance Value Propositions
- Capitalise Growth Momentum
- Efficiency & Prioritisation

To enhance our value propositions, we have introduced a state of the art financial planning tool for advisory sessions in Retail and Private Banking. Additionally we have strengthened our online and mobile savings value proposition for retail customers.

To capitalise on growth momentum, and grow at low costs, we have increased the share of highly cost-efficient and profitable bancassurance in Retail Banking through reallocation of resources to enable low-cost profitable growth in existing business. We have continued to focus on attracting more profitable institutional volumes and to attract clients with higher assets in Private Banking.

As part of our continued focused prioritisation, we have divested our Life portfolio in Luxembourg and in the Isle of Man.

Global Fund Distribution, the unit responsible for 3rd-party distribution of Nordea funds, primarily covering non-Nordic customers, demonstrates well the progress towards our vision to have global reach and global capabilities. Global Fund Distribution has throughout 2014 achieved record-high net flows of EUR 4.8bn demonstrating the high quality of our offerings.

Business development

Nordea's Assets under Management (AuM) increased to EUR 262.2bn, up EUR 30.1bn or 13% from 2013. The increase in AuM was due to net flow of EUR 18.6bn and market appreciation of EUR 11.5bn. 2014 ended with AuM at another all-time high.

All businesses contributed positively to the net flow.

Customers' interest in investing in discretionary management solutions continued to increase in 2014. In the prevailing low interest rate environment, it is difficult to achieve a satisfactory investment return without taking too much risk. The discretionary solutions allow customers to benefit from Nordea's investment process in which risk levels are closely managed to match future possible returns with client expectations and risk profiles.

The number of Private Banking customers increased to 109,500 by the end of 2014. A continued strong focus is held on customer acquisition as well as aligning the Private Banking service and advisory model with the needs of the customers and the regulatory changes in the market.

As a step towards further improving customer satisfaction, Private Banking has during 2014 taken a focused approach to take the quality of customer meetings to the next level. Net inflow in Private Banking amounted to EUR 3.9bn, mainly due to flow from newly acquired customers.

In 2014, Nordea Private Banking was recognised for this continued work, when Nordea was awarded "Best Private Bank in the Nordics" by the global financial magazine The Banker, part of the Financial Times Group.

Throughout 2014, Asset Management has maintained its strong momentum in sales and revenues in all client segments. Net flows into the Nordic retail funds across all four Nordic countries were EUR 4.9bn in 2014.

Net flow from Institutional Clients and Global Fund Distribution was EUR 2.9bn and EUR 4.8bn respectively. The institutional segment had positive net flows with especially high value of the flow in Germany and Norway and the strong development in value of AuM continued. Global Fund Distribution too continued the strong growth, and achieved record-high net flows of EUR 4.8bn in 2014. The net flow was well diversified in terms of products with Multi-Asset solutions continuing to attracting the highest net flows. The growth remained strong across all countries of distribution during 2014, with a noticeable strong development in continental Europe.

During 2014 Nordea has drawn benefits from new EU legislations that enable a fund company to manage and market funds across borders and merged Nordea's four Nordic fund companies into one Nordic fund company, domiciled in Finland with branches in Sweden, Norway and Denmark.

Investment performance was satisfactory in 2014 with 62% of composites outperforming benchmarks. The 3-year performance is strong with 72% of all composites outperforming benchmarks.

Life & Pensions' gross written premiums continued to exceed the record levels reported in 2013, reaching EUR 7,601m in 2014 which is 14% higher than 2013.

The market return product driven sales momentum in the Nordea Bank channel continued to fuel new business sales. The Nordea distribution network continued to generate two-thirds of total sales during 2014. Market return products continued to support the growth in AuM and amounted at the end of the year to 52% of total AuM in Life & Pensions.

Result

Total income was EUR 1,693m in 2014, up 11% from last year. The increase from 2013 is mainly due to double digit increase in income in Life & Pensions and Asset Management.

Costs have decreased 2% compared to the previous year as a consequence of successful cost management. Due to increased income and lower costs, operating profit was EUR 903m, up 24% from 2013.

Private Banking

Total income was EUR 542m in 2014, a 3% increase compared to 2013, and the strongest year yet for the Private Banking business. The increased income level was supported by higher

Gunn Wærsted is Head of Wealth Management.

"The vision of Wealth Management is to be acknowledged as the leading Wealth Manager in all Nordic markets with global reach and global capabilities. When we conclude the year 2014, we can say with confidence that we are moving closer to our vision. It has been a year where we have received record high net flows and passed the EUR 250bn milestone. Our Assets under Management ended at EUR 262.2bn, up 13% from last year. We welcomed new Private Banking customers, we continued the strong growth in international sales while also improving cost and capital efficiency. To sum up, we continue to deliver on our strategy, communicated at Nordea's Capital Markets Day in 2013."

recurring income on items such as investment funds and life products income. Combined with a continuous strict cost focus and simplification initiatives, the operating profit was EUR 190m, up 12% compared to 2013.

Asset Management

Total income was EUR 598m in 2014, a 17% increase compared to 2013. The increased income level was lifted by increasing AuM, which was supported by both record high net flows and positive market appreciation. In 2014, AuM has increased 19%. Compared to 2013, costs were up 1%. The cost/income ratio has improved by 5 %-points to 38%. Operating profit was EUR 373m, up 29% compared to 2013.

Life & Pensions

Total income was EUR 553m in 2014, a 12% increase compared to 2013. Costs were EUR 204m, down 4% compared to full-year 2013 due to efficiency improvements and active business selection. Operating profit was EUR 349m, up 24% compared to 2013.

Wealth Management other

The area consists of the Wealth Management service operations which are not directly connected to any of the business units. It includes additional liquidity premium for long-term lending and deposits in Wealth Management and net interest income related thereto.

Financial Review 2014

- Operating profit +9%[1], in local currencies +12%[1]
- Total operating income unchanged[1], in local curr. +2%[1]
- Total operating expenses –4%[1], in local currencies –1%[1]
- Loan loss ratio 15 basis points (21 basis points last year)
- Return on equity (ROE) 11.6%[1] (last year 11.0%)
- Common equity tier 1 (CET1) capital ratio 15.7% (last year 13.9%, previously estimated Basel III ratio)
- Overall credit quality remained solid
- Assets under Management up 13% to EUR 262bn
- Proposed dividend EUR 0.62 per share (actual dividend last year EUR 0.43 per share)

1) Compared with 2013 for continued operations excluding non-recurring items (capital gain from the divestment of the shareholding in Nets Holding A/S of EUR 378m, restructuring costs of EUR 190m and charge for impairment of intangible assets of EUR 344m.

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 are yet to be fully seen, and to be evaluated. Nordea is following up and analysing the changes in process, which are not expected to be finalised during 2015.

Macroeconomic development

2014 was another year of low growth and low interest rates as these declined further, even reaching negative levels in some areas. The global scene was characterised by mixed developments in economic data and by increased geopolitical tensions. The US and UK economies showed continued strong signs with strong GDP growth and US unemployment falling below 6%. In Europe, the improvements were more modest with still low GDP growth.

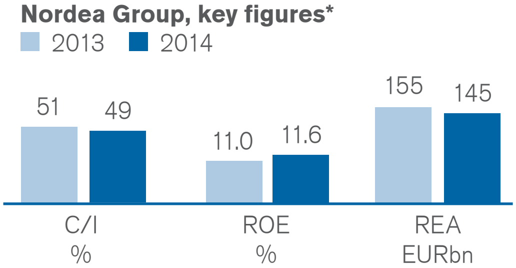
The Nordic economies showed some growth, and the overall picture still appeared relatively robust. In Sweden and Norway, GDP growth continued to hold up relatively well. Economic growth in Norway is however expected to slow down. The growth in Denmark has remained at lower level, but showed signs of improvement. In Finland, growth was subdued and followed the more mixed picture seen in the Euro area. Unemployment has been largely unchanged in the region.

Result summary for 2014

Total income increased in 2014 by 2% in local currencies (unchanged in EUR) compared to 2013, excluding non-recurring items (capital gain from the divestment of the shareholding in Nets Holding of EUR 378m). Total expenses decreased 1% in local currencies (–4% in EUR) excluding non-recurring items (restructuring costs of EUR 190m and charge for impairment of intangible assets of EUR 344m) and are in line with the cost-efficiency programme. Net loan losses decreased from last year to a level of 15 basis points of loans. Operating profit was up 12% in local currencies excluding non-recurring items (+9% in EUR).

The result comments relate to the continuing operations, excluding the Polish operations which, in the reporting, are separated as discontinued operations.

Nordea Group, key figures*



*) Excluding non-recurring income and cost items in 2014, see footnote [1]) above.

Income

Net interest income increased 2% in local currencies compared to 2013 (–1% in EUR). Lending volumes increased 4% in local currencies excluding reverse repurchase agreements. Corporate and household lending margins were higher, while deposit margins overall were down from one year ago. Net interest margin, the average net interest income on lending and deposits, was 1.08%, largely unchanged from last year (1.07%).

Net fee and commission income increased 10% in local currencies (+8% in EUR), mainly due to strong commission income from savings and investments as well as higher lending commissions.

Net result from items at fair value decreased by 6% in local currencies (–7% in EUR) compared to last year, following lower customer activity.

Income under the equity method was EUR 18m (EUR 79m) and other income was EUR 79m (EUR 106m) excluding the gain from the divestment of the shareholding in Nets Holding of EUR 378m.

Expenses

Total expenses were down 1% in local currencies (–4% in EUR) compared to 2013 excluding impairment charge and restructuring costs. Staff costs were up 3% in local currencies excluding restructuring costs (largely unchanged in EUR). Other expenses were down 8% in local currencies excluding restructuring costs (–11% in EUR). Restructuring cost related to the cost efficiency programme amounted to EUR 190m (see also Note G7). Depreciations were EUR 582m including a charge for impairment of intangible assets of EUR 344m, following the decision to replace some of the current IT systems.

Net loan losses

Net loan loss provisions decreased 26% in local currencies to EUR 534m (–27% in EUR), corresponding to a loan loss ratio of 15 basis points (21 basis points last year). The loan loss ratio was somewhat below the average loan loss ratio.

Taxes

The effective tax rate in 2014 was 22.0% (including the bank tax in Finland of EUR 60m), compared to 24.5% last year. The 2014 effective tax rate was affected by the non-taxable gain from the divestment of the shareholding in Nets Holding A/S of EUR 378m.

Net profit and Return on equity (ROE)

Net profit increased 9% in local currencies (+7% in EUR) to EUR 3,332m, due to somewhat higher income and lower expenses and net loan losses compared to last year.

Return on equity (ROE) was 11.6% excluding non-recurring items and 11.5% including these (last year 11.0%).

Market Consistent Embedded Value (MCEV)
The MCEV increased 1.2% to EUR 4,758m (EUR 4,700m). The value of new business was EUR 248m.

Financial structure
Total assets increased by 6% or EUR 39bn to EUR 669bn in 2014. Total liabilities increased by 6% or EUR 38bn to EUR 640bn. 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 strengthened against the Swedish and Norwegian krona and against the Russian Rubel in 2014. It was largely unchanged against the Danish krona. The effect of changes in currency exchange rates amounted to a total decrease in the Group's assets of EUR 13bn. Liabilities decreased by EUR 12bn.

Loans
The total lending increased EUR 2bn or 1% compared with previous year.

Securities
Investments in interest-bearing securities and shares increased by EUR 6bn (5%) compared with previous year.

Deposits and funding activities
Deposits and borrowings decreased by EUR 6bn or 2% to EUR 254bn, while debt securities in issue increased by EUR 9bn or 5%. Total debt securities in issue as per the end of 2014 amounted to EUR 194bn. In 2014, long-term issuance under Nordea funding programmes amounted to EUR 22bn, excluding Danish covered bonds (EUR 23bn).

Life insurance activities
Net premiums received in the Life business are invested in interest-bearing securities, shares and properties. Increases of fair values on these investments as well as higher premiums written led to an increase in "liabilities to policyholders" of EUR 5bn or 10%.

Derivatives
The balance sheet items "Derivatives" reflect the net present value of derivative contracts split on positive and negative fair values. Positive market values of derivatives increased from EUR 71bn to EUR 105bn and negative markets values increased from EUR 66bn to EUR 97bn. The reason for this was steep decreases in the long-term interest rates during 2014. The derivatives volume, in nominal terms, was largely unchanged. For more information, see Notes G1 and G17.

Financial target
Nordea has return on equity (ROE) target of 13% at the required common equity tier 1 (CET1) capital ratio, taking prevailing low interest rates into account.

Capital position and capital policy
The Group's common equity tier 1 (CET1) capital ratio, excluding Basel I floor, increased to 15.7% at the end of 2014, a strengthening of 1.8%-points from the estimated Basel III ratio at the end of last year. The total capital ratio excluding Basel I floor increased to 20.7%. Improved capital ratios were achieved by strong profit generation and a decrease in risk exposure amounts (REA). In September 2014, Nordea issued a CRDIV-compliant Additional Tier 1 instrument, which strengthened the Tier 1 ratio by 75 basis points.

The current capital policy states that Nordea Group should have a target minimum of 13% in CET1 and 17% in total capital ratio. The most recent review, performed in the fourth quarter of 2014 leaves the capital targets unchanged as there are still uncertainties with respect to the Swedish FSA's view on standardised models to be used by the banks for calculating the size of the pillar II add-on, as well as other ongoing regulatory uncertainties such as the replacement of the current capital floor. The capital policy will be revised once the regulatory regime is further clarified. However, Nordea´s current view is that the bank should operate with a CET1 ratio of approximately 15%, including a management buffer, although there is still some regulatory uncertainty.

Nordea's dividend ambition is to increase the dividend payout ratio in 2014 and 2015, while maintaining a strong capital base.

A description of the Capital position is presented under Capital management on page 45 and in Note G38.

Credit portfolio
Loans to the public excluding reverse repurchase agreements increased by 4% in local currencies to EUR 304bn (unchanged in EUR). The share of lending to corporate customers was 54%. Lending to shipping, offshore and oil services constituted 2.9% of the Group's total lending and lending to companies owned by private equity funds was less than 3% of total lending, of which 99% are senior loans.

The overall credit quality is solid with strongly rated customers and a positive effect from rating migration on total in the portfolio. The total effect of improved credit quality on REA was a decrease of approx. 2.0% in 2014.

Impaired loans gross in the Group were down to EUR 6,425m at the end of the year compared to last year (EUR 6,564m). 64% of impaired loans gross are performing and 36% are non-performing.

Further information about the credit portfolio is presented under Risk management on page 36, in Note G47 and in the Capital and Risk Management Report 2014 published on the web pages.

Divestment of the Polish banking, life and financing businesses completed
The sale of Nordea Bank Polska S.A. was completed on 1 April 2014, following that the Polish Financial Supervision Authority (PFSA) on 3 March 2014 issued a decision stating that there were no grounds for objections to the acquisition as announced on 12 June 2013 by PKO Bank Polski S.A. of the shares of Nordea Bank Polska S.A., which satisfied the last condition precedent for the closing of the transaction. The financial effects of the transaction are as previously communicated.

The Polish operations are in the reporting separated as discontinued operations and included only as one line in net profit.

The Nordea Operations Centre in Lodz and the Polish pension fund company are not affected by the transaction.

Nordea has divested all shares in Nets Holding A/S

Nordea has divested its 20.7% stake in Nets Holding A/S to a consortium consisting of funds advised by Advent International, ATP and Bain Capital and the sale was completed on 9 July 2014. Nordea's total proceeds from the divestment were approx. DKK 3.5bn (approx. EUR 470m) leading to a tax-free capital gain of approx. DKK 2.8bn (EUR 378m) that was recognised in Other income.

Nordea's funding operations

Nordea issued approx. EUR 22bn of long-term debt during the year, excluding Danish covered bonds.

Liquidity management is presented on page 43. A maturity analysis is presented in Note G45.

Market risk

A description of Market risk is presented on pages 41–42.

Hedge accounting

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged risks in the hedged items and of the hedging instruments and in order to hedge the exposure to variability in cash flows and net investments in foreign operations. More information on the hedged risks is presented in Note G1.

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 4,049,951,919. All shares are ordinary shares, see also Statement of changes in equity on page 64 and a table showing the change in share capital is found on page 15. The voting rights are described on page 49. C-shares are not entitled to any dividend.

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 qualified 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.

On 31 December 2014, Sampo plc was the largest individual shareholder with a holding of 21.4% and the only shareholder with a holding of more than 10%. A table showing the largest registered shareholders in Nordea end of 2014 is found on page 14.

On 31 December 2014, the employees had an indirect shareholding of 0.5% in the Company through the Nordea Profit-sharing Foundation and a minor indirect shareholding in the Company through the pension foundation. The voting rights are in neither case exercised directly by the employees.

Holding of own shares

As of 31 December 2014, Nordea held 23,009,458 shares (0.6% of total number of shares) in Nordea, a decrease of 8,778,474 shares compared to 31 December 2013. The quota value is EUR 1 and the acquisition price amounts to EUR 83m. 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 proposes to the AGM a dividend of EUR 0.62 per share (EUR 0.43) and further, that the record date for dividend should be 23 March 2015. The dividend corresponds to a payout ratio of 70% of net profit excluding the net effect from the charge for impairment of intangible assets of EUR 344m. Total proposed dividend amounts to EUR 2,501m.

The ex-dividend date for the Nordea share is 20 March 2015. The dividend payments are scheduled to be made on 30 March 2015.

Mandate to acquire and convey own shares

The Board of Directors proposes that the AGM 2015 should authorise the Board of Directors to decide on acquisition of own shares on a regulated market where the company's shares are listed, or by means of an acquisition offer directed to all shareholders. The authorisation is limited so that Nordea's holdings of own shares may not exceed 10% of all shares.

The purpose of acquisition of own shares is to facilitate an adjustment of the company's capital structure to prevailing capital requirements and to facilitate the use of own shares as payment for or financing of acquisitions of companies and businesses.

The Board further proposes an authorisation to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses. Conveyance may be made in another way than on a regulated market and with deviation from shareholders' pre-emptive rights.

The AGM 2014 decided on corresponding authorisations to acquire and convey own shares.

Mandate to issue convertible instruments

The Board of Directors proposes that the AGM 2015 should authorise the Board of Directors to decide on issuing of convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by maximum 10% of the Company's share capital. The authorisation may be used on one or several occasions up until the next AGM.

An issue of convertible instruments should be done on market conditions. The purpose of the authorisation is to facilitate a flexible and efficient adjustment of the Company's capital structure to the capital requirements.

The AGM 2014 decided on a corresponding authorisation to decide to issue convertible instruments.

Rating

Ratings of the Nordea Group are presented on page 215.

Personnel
Personnel expenses, significant agreements with key management personnel and the distribution by number of employees by country and gender are disclosed in Note G7. More information is presented on the page about Our people on page 16.

Profit sharing and share-based incentive systems
For 2014, a total of approx. EUR 92m was expensed under Nordea's ordinary profit-sharing scheme for all employees and the Long-Term Incentive Programmes for managers and key employees (EUR 62m last year).

For 2014, each employee could receive a maximum of EUR 3,200, of which EUR 2,600 was based on RAROCAR and EUR 600 on the level of customer satisfaction.

The Profit Sharing scheme and the share-based incentive systems as well as other remuneration principles are presented in the chapter Remuneration on page 55–58 and in Note G7.

Pension liabilities
The total pension obligation in defined benefit plans has increased from EUR 3,130m to EUR 3,727m in 2014. The increase is mainly due to re-measurements from changes in financial assumptions, mainly the discount rates, slightly offset by translation differences. Pensions paid have had a decreasing effect offset by new pension rights earned and discounting effects. The fair value of plan assets is EUR 3,229m, fairly unchanged from 2013 (EUR 3,117m). Return on plan assets has had an increasing effect, offset by pension payments and translation differences. The net pension liability amounts to EUR 498m. See Note G32 for more information.

Legal proceedings
Within the framework of 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 are considered likely to have any significant adverse effect on the Group or its financial position.

Further information is presented in Note G36.

Impact on the financial statements and regulatory capital from the assets quality review as of 31 December 2013
An Asset Quality Review (AQR) and stress test for banks within the euro area has been performed by the European Central Bank (ECB) and includes the assessment of the Nordea Bank Finland Group. The results confirm Nordea Bank Finland's strong position with a CET1 capital ratio of 10.4% at the end of the stress test horizon. The main findings in the AQR relate to:

- Individual loan loss provisions – Negative AQR adjustment EUR 164m (EUR 231m including projection of findings)
- Collective loan loss provisions – Negative AQR adjustment EUR 122m
- Credit Valuation Adjustments (CVA) – Negative AQR adjustment EUR 62m (EUR 75m including Nordea Group internal transactions)

After tax and Nordea Group internal risk protection the AQR impact on available capital in the Nordea Bank Finland Group was negative by EUR 213m, which translated to a 40 basis points negative impact on the CET1 ratio.

Although the AQR shall be considered to be a prudential exercise, an internal assessment has been made on whether any of the findings should impact the financial statements 2014. Following this assessment Nordea has to a certain extent adjusted individual and collective loan loss provisions in the financial statements in line with the ordinary credit process, but not as a direct consequence of the findings in the AQR. No adjustment in the financial statements has been made following the AQR findings on CVA, although the prudent valuation adjustment has been increased in the capital adequacy reporting.

Environmental concerns and corporate social responsibility
Nordea is committed to sustainable business and development by combining financial performance with environmental and social responsibility as well as sound governance practices. Nordea has adopted a Nordea Sustainability policy that spells out the Group's values and commitments to ethical business. The policy is based on the ten principles of the UN Global Compact, the UN Declaration of Human Rights, ILO-conventions and the OECD Guidelines for Multinational Enterprises. The Sustainability Policy has a specific section on environmental issues providing guidance on how the Group is to manage and control environmental issues in its business activities and its own operations. All employees of Nordea Group, including non-permanent staff working on behalf of Nordea, are subject to this policy.

Nordea policies are supported by a number of specific and concrete policies to ensure compliance with the principles in everyday business. Examples are the human resources policies, the anti-corruption policies and investment and credit policies.

Further information is presented under Corporate Social Responsibility on page 17 and in Nordea´s CSR Report available on the web pages.

Foreign branches
The parent company has foreign branches in Norway, Finland, Denmark, the Baltic countries, Poland and China. On 1 January 2015, the branches in the United Kingdom and Germany were transferred from Nordea Bank Finland to the parent company.

Annual General Meeting 2015
The AGM will be held on Thursday 19 March 2015 in Stockholm. Further information is presented on the last page of the Annual Report.

Business area results

Retail Banking, operating profit by market

EURm	Total		Banking Denmark		Banking Finland		Banking Norway		Banking Sweden		Banking Baltic countries		Retail Banking other	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income	3,817	3,808	1,231	1,252	751	665	768	802	1,012	1,053	144	130	–89	–94
Net fee and commission income	1,099	1,030	181	116	370	354	173	168	377	371	39	40	–41	–19
Net result on items at fair value	381	362	96	107	102	84	69	77	128	102	–10	–4	–4	–4
Equity method	5	3	5	3	0	0	0	0	0	0	0	0	0	0
Other operating income	30	75	–3	7	3	14	0	6	2	13	2	0	26	35
Total operating income	**5,332**	**5,278**	**1,510**	**1,485**	**1,226**	**1,117**	**1,010**	**1,053**	**1,519**	**1,539**	**175**	**166**	**–108**	**–82**
Staff costs	–1,345	–1,361	–298	–301	–227	–228	–147	–157	–282	–290	–24	–23	–367	–362
Other expenses and depr.	–1,496	–1,599	–519	–521	–418	–420	–295	–312	–526	–596	–62	–63	324	313
Total operating expenses	**–2,841**	**–2,960**	**–817**	**–822**	**–645**	**–648**	**–442**	**–469**	**–808**	**–886**	**–86**	**–86**	**–43**	**–49**
Profit before loan losses	**2,491**	**2318**	**693**	**663**	**581**	**469**	**568**	**584**	**711**	**653**	**89**	**80**	**–151**	**–131**
Net loan losses	–431	–477	–222	–310	–72	–57	–54	–22	–10	–53	–61	–22	–12	–13
Operating profit	**2,060**	**1,841**	**471**	**353**	**509**	**412**	**514**	**562**	**701**	**600**	**28**	**58**	**–163**	**–144**
Cost/income ratio, %	53	56	54	55	53	58	44	45	53	58	49	52	—	—
RAROCAR, %	14	13	12	12	20	16	16	14	17	16	7	5	—	—
Other information, EURbn														
Lending to corporates	81.0	81.7	22.4	21.9	15.4	14.6	18.9	19.1	19.2	20.6	5.2	5.4	—	—
Household mortgage lending	125.6	124.6	32.0	31.6	27.4	26.9	24.0	24.4	39.7	39.1	2.6	2.6	—	—
Consumer lending	24.1	24.7	11.8	12.0	6.4	6.3	0.6	0.7	4.8	5.4	0.3	0.3	—	—
Corporate deposits	44.9	45.1	9.1	9.1	10.2	9.7	9.9	10.4	12.7	13.2	3.0	2.8	—	—
Household deposits	73.4	74.9	23.8	23.5	20.8	21.6	8.0	7.9	19.6	20.9	1.2	0.9	—	—

Wholesale Banking, operating profit by unit

EURm	Total		Corporate & Institutional Banking (CIB)		Shipping, Offshore & Oil Services		Banking Russia		Wholesale Banking other (including Capital Markets unallocated)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income	1,126	1,112	682	688	266	266	254	233	–76	–75
Net fee and commission income	626	568	568	533	68	53	13	12	–23	–30
Net result on items at fair value	693	934	263	304	34	32	6	12	390	586
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	4	4	0	0	0	0	1	0	3	4
Total operating income	**2,449**	**2,618**	**1,513**	**1,525**	**368**	**351**	**274**	**257**	**294**	**485**
Staff costs	–768	–783	–46	–38	–21	–24	–59	–68	–642	–653
Other expenses and depr.	–77	–114	–368	–386	–42	–40	–35	–38	368	350
Total operating expenses	**–845**	**–897**	**–414**	**–424**	**–63**	**–64**	**–94**	**–106**	**–274**	**–303**
Profit before loan losses	**1,604**	**1,721**	**1,099**	**1,101**	**305**	**287**	**180**	**151**	**20**	**182**
Net loan losses	–98	–252	–122	–173	37	–95	–15	7	2	9
Operating profit	**1,506**	**1,469**	**977**	**928**	**342**	**192**	**165**	**158**	**22**	**191**
Cost/income ratio, %	35	34	27	28	17	18	34	41	—	—
RAROCAR, %	14	14	18	15	18	14	28	23	—	—
Other information, EURbn										
Lending to corporates	100.8	96.1	38.5	38.7	11.6	11.4	5.9	5.8	44.8	40.2
Lending to households	0.3	0.5	—	—	—	—	0.3	0.5	—	—
Corporate deposits	66.0	66.5	36.4	33.6	4.7	4.3	0.6	1.7	24.3	26.9
Household deposits	0.1	0.2	—	—	—	—	0.1	0.2	—	—

Wealth Management, operating profit by unit

EURm	Total 2014	Total 2013	Asset Management 2014	Asset Management 2013	Private Banking 2014	Private Banking 2013	Life & Pensions 2014	Life & Pensions 2013	Wealth Management other 2014	Wealth Management other 2013
Net interest income	142	120	0	0	141	121	0	0	1	–1
Net fee and commission income	1,167	1,090	590	502	304	321	273	266	0	1
Net result on items at fair value	358	293	6	0	92	81	261	212	–1	0
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	26	29	2	11	5	2	19	17	0	–1
Total operating income	**1,693**	**1,532**	**598**	**513**	**542**	**525**	**553**	**495**	**0**	**–1**
Staff costs	–492	–480	–120	–115	–172	–169	–121	–124	–79	–72
Other expenses and depr.	–295	–320	–105	–108	–177	–183	–83	–89	70	60
Total operating expenses	**–787**	**–800**	**–225**	**–223**	**–349**	**–352**	**–204**	**–213**	**–9**	**–12**
Profit before loan losses	**906**	**732**	**373**	**290**	**193**	**173**	**349**	**282**	**–9**	**–13**
Net loan losses	–3	–3	0	0	–3	–3	0	0	0	0
Operating profit	**903**	**729**	**373**	**290**	**190**	**170**	**349**	**282**	**–9**	**–13**
Cost/income ratio, %	46	52	38	43	64	67	37	43	—	—
RAROCAR, %	32	26	—	—	35	33	17	13	—	—
Other information, EURbn										
Lending to households	9.0	8.5	—	—	9.0	8.5	—	—	—	—
Deposits from the public	11.0	11.1	—	—	11.0	11.1	—	—	—	—

Group Corporate Centre, operating profit

EURm	2014	2013
Net interest income	279	340
Net fee and commission income	–11	–8
Net result on items at fair value	84	69
Equity method	–1	–2
Other operating income	11	18
Total operating income	**362**	**417**
Total operating expenses	**–273**	**–276**
Operating profit	**89**	**141**

Life & Pensions, profit drivers

EURm	2014	2013
Profit drivers		
Profit Traditional products	124	78
Profit Market Return products	174	133
Profit Risk products	63	64
Total product result	**361**	**275**
Return on shareholders' equity, other profits and group adjustments	–12	7
Operating profit	**349**	**282**

MCEV composition of Nordea Life & Pensions

EURm	2014	2013
Denmark	1,160	1,321
Finland	1,815	1,647
Norway	1,102	1,041
Sweden	595	602
Poland	86	89
Total	**4,758**	**4,700**
Value of new business		
Traditional business (APE)	0	11
Unit–linked (APE)	242	240
Risk products	6	4
New business margin		
Traditional business	0%	16%
Unit–linked	40%	40%
Risk products	21%	16%

Total Nordea Group and Business Areas

	Retail Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group	
EURm	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income	3,817	3,808	1,126	1,112	142	120	279	340	118	145	5,482	5,525
Net fee and commission income	1,099	1,030	626	568	1,167	1,090	–11	–8	–39	–38	2,842	2,642
Net result on items at fair value	381	362	693	934	358	293	84	69	–91	–119	1,425	1,539
Equity method	5	3	0	0	0	0	–1	–2	14	78	18	79
Other operating income	30	75	4	4	26	29	11	18	386	–20	457	106
Total operating income	**5,332**	**5,278**	**2,449**	**2,618**	**1,693**	**1,532**	**362**	**417**	**388**	**46**	**10,224**	**9,891**
Staff costs	–1,345	–1,361	–768	–783	–492	–480	–270	–233	–274	–121	–3,149	–2,978
Other expenses	–1,399	–1,496	–48	–79	–291	–313	46	–1	57	54	–1,635	–1,835
Depreciations	–97	–103	–29	–35	–4	–7	–49	–42	–403	–40	–582	–227
Total operating expenses	**–2,841**	**–2,960**	**–845**	**–897**	**–787**	**–800**	**–273**	**–276**	**–620**	**–107**	**–5,366**	**–5,040**
Net loan losses	–431	–477	–98	–252	–3	–3	0	0	–2	–3	–534	–735
Operating profit	**2,060**	**1,841**	**1,506**	**1,469**	**903**	**729**	**89**	**141**	**–234**	**–64**	**4,324**	**4,116**
Cost/income ratio[1], %	53	56	35	34	46	52	76	66	—	—	49	51
RAROCAR, %	14	13	14	14	32	26	—	—	—	—	14	14
Volumes, EURbn												
Lending to corporates	81.0	81.7	100.8	96.1	—	—	—	—	7.3	6.4	189.1	184.2
Household mortgage lending	125.6	124.6	0.3	0.5	5.9	5.3	—	—	—	—	131.8	130.4
Consumer lending	24.1	24.7	—	—	3.1	3.2	—	—	—	—	27.2	27.9
Corporate deposits	44.9	45.1	66.0	66.5	—	—	—	—	1.9	2.9	112.8	114.5
Household deposits	73.4	74.9	0.1	0.2	11.0	11.1	—	—	—	—	84.5	86.2

1) Excluding non-recurring items 2014.

Risk, Liquidity and Capital management

Management of risk, liquidity and capital is a key success factor in the financial services industry.

Maintaining risk awareness in the organisation is ingrained in the 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 risk, counterparty credit risk, market risk, liquidity risk, business risk life insurance risk and operational risk management as well as the ICAAP. All policies are reviewed at least annually.

The Board of Directors approves the credit instructions where powers-to-act for all credit committees in the organisation are stated. These authorisations vary for different decision-making levels, mainly in terms of the size of limits but also depending on the internal risk categorisation 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 responsibilities in terms of overseeing management and control of risk, risk frameworks as well as controls and processes associated with the Group's operations.

Responsibility of CEO and GEM

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

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

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management.

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations and balance sheet risks as well as capital management either for decision by the CEO in GEM or for recommendation by the CEO in GEM and for decision by the Group Board.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Group's risks at an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Furthermore, the Risk Committee decides, within the scope of resolutions adopted by the Board of Directors, on 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 allocates 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 sub-committees for its work and decision-making within specific risk areas.
- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO, while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk customer limits. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

Responsibility of Group Risk Management and Group Corporate Centre

Within the Group, two units, Group Risk Management and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management. Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base, the capital adequacy framework and for liquidity risk management. Each business area and group function is primarily responsible for managing the risks in its operations within the decided limits and framework, including identification, control and reporting.

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders. The Board of Directors is ultimately responsible for the Group's overall risk appetite and for setting principles regarding 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 the comprehensive coverage of key risks faced by the Group. These statements collectively define the boundaries for Nordea's risk-taking activities and will also help identify areas with scope for additional risk-taking. The statements are approved by the Board of Directors, and set the basis for a new risk reporting structure. Moreover, the framework supports management decision processes such as planning and target setting.

The Risk Appetite framework considers key risks relevant to Nordea's business activities and is at an aggregate level 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.

Monitoring and reporting

The "Policy for Internal Control and Risk Management in the Nordea Group" states that the management of risks includes all activities aimed at identifying, measuring, assessing, monitoring and controlling risks as well as measures to limit and mitigate the consequences of the risks. Management of risk 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 is, among other things, 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 and on a monthly and quarterly basis for credit and operational risk.

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

Disclosure requirements of the CRR – Capital and Risk Management Report 2014

Additional and more detailed information on risk and capital management is presented in the Capital and Risk Management Report 2014, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Nordea's Capital and Risk Management Report 2014, available on www.nordea.com

Risk management

Credit Risk management

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

Within the powers to act granted by the Board of Directors, credit risk limits are approved by credit decision making authorities on different levels in the organisation. The risk categorisation and the exposure of the customer decide at what level the decision will be made. Responsibility for a credit risk lies with a customer responsible unit. Customers are assigned a rating or score in accordance with 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. For monitoring of the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are industry credit principles and industry credit policies in place establishing requirements and caps.

Individual and collective assessment of impairment

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

A provision is recognised if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with 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.

Forbearance is negotiated terms or restructuring due to borrowers' financial stress. The intention with granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing. Loan loss provisions are taken if necessary. Forborne customers without impairment charges are fully covered by either collateral and/or the net present value of future cash flows.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The collective impairment is based on the migration of rated and scored customers in the credit portfolio as well as management judgement. The assessment of collective impairment reacts to up- and down-ratings of customers as well as new customers and customers leaving the portfolio. Moreover, customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

Further information on credit risk is presented in Note G47 to the Financial statements.

Credit portfolio

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

Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 598bn (EUR 581bn last year). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 488bn (EUR 480bn). See more information and breakdown of exposure according to the CRR definition in Note G47 and in the Capital and Risk Management Report.

In the following section, lending related to the divested Polish operation is excluded.

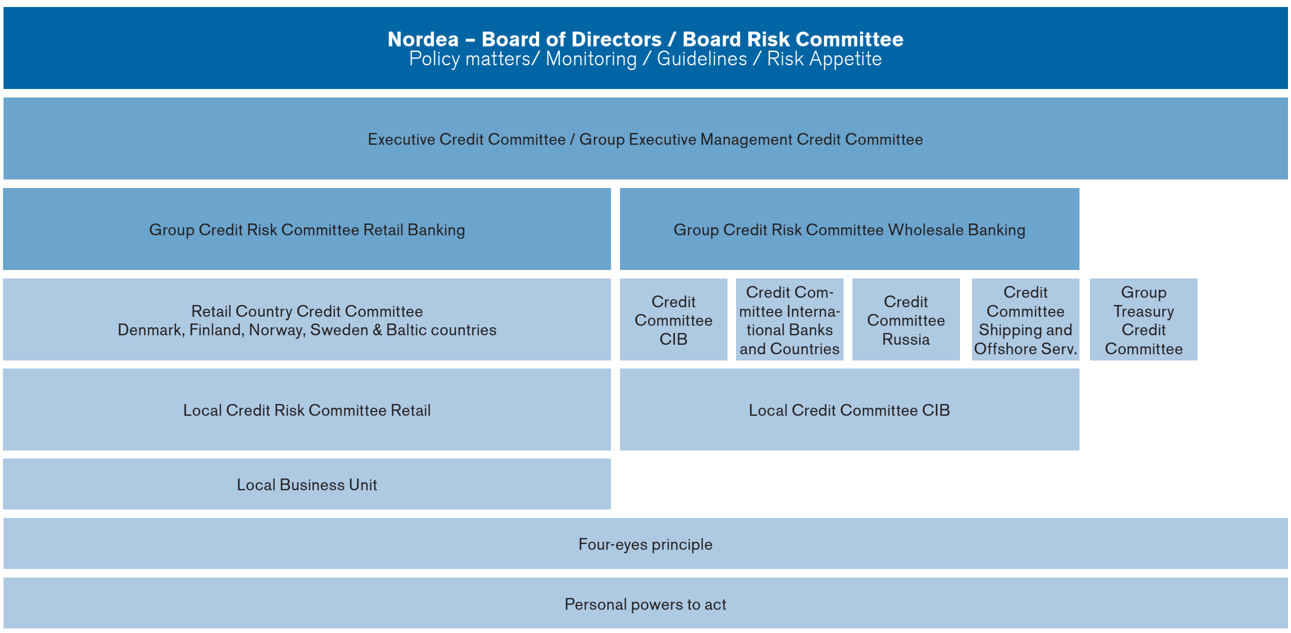
Nordea's loans to the public increased by 2% to EUR 348bn during 2014 (EUR 342bn in 2013). It is attributable to an increase of approx. 3% in the corporate portfolio and an increase of 1% in the household portfolio. The lending to the public sector was stable. The overall credit quality is solid with strongly rated customers and a positive effect from rating migration on total in the portfolio. Out of lending to the public, corporate customers accounted for 54% (53%), household customers for 44% (45%) and the public sector for 2% (2%). Lending in the Baltic countries constitutes 2.0% (2.4%) and the Shipping and offshore industry 2.9% (3.0%) 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 central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 19bn at the end of 2014 (EUR 22bn).

Loans to corporate customers

Loans to corporate customers at the end of 2014 amounted to EUR 188bn (EUR 184bn), up 3%. The sector that increased the most in 2014 was Reverse repurchase agreements while Energy (oil, gas, etc.) and Metals and mining materials decreased the most. The concentration of the three largest industries is approximately 20% of total lending. Real estate remains the largest industry in Nordea's lending portfolio, at EUR 42.2bn (EUR 42.5bn). The real estate portfolio predominantly consists of relatively large and financially strong companies, with 87% (84%) of the lending in rating grades 4- and higher. Approx. 40% of the lending to the real estate industry is to companies managing mainly residential real estate.

Loans to shipping and offshore decreased by 2% to EUR 10.0bn in 2014 (EUR 10.2bn). 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

Credit decision-making structure for main operations



Credit risk exposure and loans

(excluding cash and balances with central banks and settlement risk exposure)

EURm	31 Dec 2014	31 Dec 2013
To central banks and credit institutions	19,175	22,512
To the public	348,085	342,451
– of which corporate	188,290	183,630
– of which household	153,985	153,012
– of which public sector	5,810	5,809
Total loans	**367,260**	**364,963**
Off-balance credit exposure[1]	96,231	99,132
Counterparty risk exposure	35,659	20,354
Treasury bills and interest-bearing securities[2]	77,584	75,630
Total credit risk exposure in the banking operations	**576,734**	**560,079**
Credit risk exposure in the life insurance operations	21,647	21,259
Total credit risk exposure including life insurance operations	**598,381**	**581,338**

1) Of which for corporate customers approx. 90%.
2) Also includes treasury bills and interest-bearing securities pledged as collateral in repurchase agreements.

average rating of 4. Nordea is a leading bank to the global shipping and offshore industry 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. 73% (71%) 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 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 2014 lending to household customers increased by 1% to EUR 154bn (EUR 153bn). Mortgage loans increased slightly to EUR 126bn (EUR 125bn) and consumer loans were stable at EUR 28bn. The proportion of mortgage loans of total household loans was unchanged at 82%, of which the Nordic market accounted for 98%.

Geographical distribution

Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries, Baltic countries and Russia account for 89% (89%). The portfolio is geographically well diversified with no market accounting for more than 28% of total lending. Other EU countries represent the main part of lending outside the Nordic countries.

At the end of 2014, lending to customers in the Baltic countries was EUR 8.4bn (EUR 8.2bn), and to Russian customers EUR 4.3bn (EUR 4.5bn).

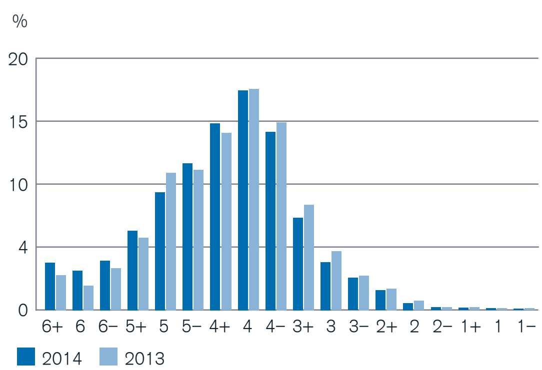
Rating and scoring distribution

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.

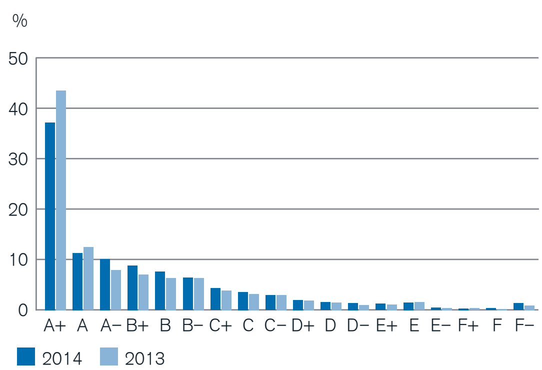
The credit quality was slightly improved in the corporate credit portfolio as well as in the scoring portfolio in 2014. 28% of the number of corporate customers migrated upwards (26%) while 21% were down-rated (23%). Exposure-wise, 24% (21%) of the corporate customer exposure migrated upwards while 16% (20%) was down-rated.

84% (82%) 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. 91% (92%) of the retail exposures is scored C– or higher, which indicates a probability of default of 1% or lower. Impaired

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



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

2014–12–31, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	Group 2014	Group 2013
Energy (oil, gas etc)	2	677	1,132	1,179	123	421	3,534	4,516
Metals and mining materials	27	215	158	254	15	209	879	1,554
Paper and forest materials	336	737	54	565	68	107	1,866	1,986
Other materials (building materials etc.)	543	1,673	399	1,746	233	2,043	6,638	5,172
Industrial capital goods	475	820	214	631	14	10	2,163	2,073
Industrial commercial services, etc.	5,764	1,452	1,837	2,911	284	43	12,291	12,685
Construction and engineering	1,283	781	1,690	666	233	0	4,653	4,333
Shipping and offshore	434	4,139	4,687	696	0	0	9,957	10,195
Transportation	589	872	723	950	665	181	3,981	4,444
Consumer durables (cars, appliances etc.)	348	470	1,257	624	73	20	2,792	3,008
Media and leisure	913	517	546	744	58	3	2,782	2,803
Retail trade	3,729	2,176	1,299	2,418	600	34	10,256	10,181
Consumer staples (food, agriculture etc.)	8,298	1,236	1,879	456	362	4	12,235	12,333
Health care and pharmaceuticals	607	300	121	568	25	0	1,621	1,496
Financial institutions	2,892	1,731	591	7,640	232	0	13,085	12,384
Real estate	8,670	8,086	9,130	14,340	1,339	673	42,238	42,525
IT software, hardware and services	1,003	323	261	298	13	0	1,897	1,676
Telecommunication equipment	5	25	0	5	1	0	37	55
Telecommunication operators	230	435	116	410	3	53	1,248	1,082
Utilities (distribution and productions)	1,549	1,748	847	1,244	439	197	6,023	5,595
Other, public and organisations	1,251	1,846	169	98	243	0	3,607	3,820
Total excl reverse repurchase agreements	**38,948**	**30,261**	**27,110**	**38,441**	**5,024**	**3,998**	**143,782**	**143,916**
Reverse repurchase agreements		43,646	862				44,508	39,714
Total corporate loans	**38,948**	**73,907**	**27,972**	**38,441**	**5,024**	**3,998**	**188,290**	**183,630**
Household mortgage loans	29,643	28,386	25,027	39,978	2,578	318	125,931	125,027
Household consumer loans	11,248	7,726	1,161	5,871	399	17	28,054	27,985
Public sector	1,562	1,214	1,129	1,554	351	0	5,810	5,809
Total loans to the public	**81,402**	**111,233**	**55,289**	**85,844**	**8,353**	**4,333**	**348,085**	**342,451**
Loans to central banks and credit institutions	6,609	5,337	218	6,204		292	19,175	22,512
Total loans	**88,011**	**116,570**	**55,506**	**92,048**	**8,353**	**4,625**	**367,260**	**364,963**

loans are not included in the rating/scoring distributions. The total effect on credit risk exposure amount (REA) from migration was a decrease of approx. 2.0% during the full year 2014.

Impaired loans

Impaired loans gross in the Group decreased to EUR 6,425m (EUR 6,564m), corresponding to 174 basis points of total loans (178 bps). 64% of impaired loans gross are performing and 36% are non-performing. Impaired loans net, after allowances for individually assessed impaired loans amounted to EUR 4,096m (EUR 4,167m), corresponding to 111 basis points of total loans (113 bps). Allowances for individually assessed loans decreased slightly to EUR 2,329m from EUR 2,397m. Allowances for collectively assessed loans were stable at EUR 420m from EUR 422m. The ratio of individual allowances to cover impaired loans decreased to 36% and total allowances in relation to impaired loans were unchanged at 43%.

The decrease in impaired loans was mainly related to the improved conditions in the shipping industry, where a decrease in impaired loans of EUR 341m was seen in 2014. The industries with the largest increases in impaired loans were Consumer durables in Denmark and Norway, and Paper and forest materials in Finland.

Past due loans 6 days or more to corporate customers that are not considered impaired decreased significantly to EUR 628m (EUR 1,209m), mainly due to improvements in Denmark, and past due loans to household customers decreased to EUR 1,258m (EUR 1,470m) in 2014.

Impaired loans and ratios

EURm	2014	2013
Impaired loans gross, Group	6,425	6,564
–of which performing	4,115	3,909
–of which non-performing	2,310	2,655
Impaired loans ratio, basis points	174	178
Total allowance ratio, basis points	74	77
Provisioning ratio	43%	43%

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

2014–12–31, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	Group	Allowances	Provisioning ratio
Energy (oil, gas etc.)	0	2	0	0	0	0	2	5	
Metals and mining materials	2	33	31	0	0	0	66	35	54%
Paper and forest materials	7	100	1	34	0	0	142	48	34%
Other materials (building mtrl etc.)	38	191	25	10	17	0	282	150	53%
Industrial capital goods	6	88	1	15	0	0	109	63	58%
Industrial commercial services etc.	175	143	53	39	0	0	411	187	46%
Construction and engineering	129	49	13	8	1	0	201	89	44%
Shipping and offshore	86	20	52	22	0	0	180	124	69%
Transportation	34	24	4	1	6	0	69	27	39%
Consumer durables (cars, appl. etc.)	92	37	48	7	1	10	194	82	42%
Media and leisure	52	45	4	2	2	0	104	48	46%
Retail trade	254	140	6	29	19	0	448	181	41%
Consumer staples (food, agric. etc.)	809	45	5	2	0	0	861	297	35%
Health care and pharmaceuticals	20	10	1	1	0	0	32	9	28%
Financial institutions	229	49	5	0	0	0	284	179	63%
Real estate	419	39	85	29	190	0	761	286	38%
IT software, hardware, services	29	56	0	2	0	0	88	37	42%
Telecommunication equipment	0	3	0	0	0	0	3	1	50%
Telecommunication operators	1	2	86	0	0	0	88	83	94%
Utilities (distribution, production)	6	1	2	0	1	0	9	7	85%
Other, public and organisations	74	9	0	2	13	0	98	75	77%
Total corporate impaired loans	**2,463**	**1,084**	**421**	**203**	**249**	**10**	**4,430**	**2,015**	**45%**
Household mortgage loans	616	168	36	32	108	7	1,000	164	16%
Household consumer loans	626	214	21	107	27	0	995	568	57%
Public sector	0	0	0	0	0	0	0	0	
Credit institutions	0	0	0	0	0	0	0	3	
Total impaired loans gross	**3,705**	**1,467**	**478**	**342**	**384**	**17**	**6,425**		
Total allowances	**1,395**	**635**	**337**	**171**	**179**	**23**		**2,749**	
Provisioning ratio	**38%**	**43%**	**70%**	**50%**	**47%**	**134%**			**43%**

Net loan losses

Loan losses decreased 27% to EUR 534m in 2014 from EUR 735m in 2013. This corresponded to a loan loss ratio of 15 basis points (21 basis points). EUR 364m related to corporate customers (EUR 542m), EUR 194m (EUR 193m) to household customers, while loan losses net were positive, EUR 24m, in credit institutions. Within corporates the main provisions were in Consumer staples industry, to Financial companies and in Real estate management industry. The major part of the household losses occurred in Denmark. Shipping, Offshore & Oil Services reported positive net loan losses of EUR 37m in 2014 compared to loan losses of EUR 95m in 2013.

Collective provisions were EUR 4m compared to provisions of EUR 41m in 2013.

Net loan losses and loan loss ratios

Basis points of loans	2014	2013
Net loan losses, EURm	-534	-735
Loan loss ratio, Group	15	21
of which individual	15	20
of which collective	0	1
Loan loss ratio, Retail Banking	19	21
Loan loss ratio, Corporate & Institutional Banking	32	45
Loan loss ratio, Shipping, Offshore & Oil Services	pos[1]	83
Loan loss ratio, Baltic countries	75	27
Loan loss ratio, Banking Russia	24	pos[1]

1) Positive net loan losses, ie net reversals.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The exposure at the end of December 2014 was EUR 35.7bn (EUR 20.4bn in 2013), of which the current exposure net (after close-out netting and collateral reduction) represents EUR 15.5bn. 52% of the exposure and 30% of the current

Consolidated market risk figures, VaR[1]

EURm	Measure	31 Dec 2014	2014 high	2014 low	2014 avg	31 Dec 2013
Total risk	VaR	43.0	131.9	31.1	62.4	148.0
– Interest rate risk	VaR	37.1	138.8	33.1	67.0	153.3
– Equity risk	VaR	10.1	11.2	3.2	6.2	5.6
– Credit spread risk	VaR	13.0	30.6	4.1	12.9	17.5
– Foreign exchange risk	VaR	6.8	22.9	3.4	13.5	7.4
Diversification effect	VaR	36%	51%	20%	38%	20%

1) For a description of Nordea's VaR model, see "Measurement of market risk" below.

exposure net was towards financial institutions.

For information about financial instruments subject to master netting agreement, se note G41.

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.

Nordea Markets, Group Treasury and Group Asset and Liability Management are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer-driven trading activities, Group Treasury is responsible for funding activities and investments for Nordea's own account, and Group Asset and Liability Management is responsible for asset and liability management, liquidity portfolios and pledge/collateral account portfolios. For all other banking activities, market risks are managed by Group Treasury and Group Asset and Liability Management.

Structural FX risk arises from investments in subsidiaries and associated enterprises denominated in foreign currencies. Generally, Nordea hedges investments by matched funding, although exceptions may be made in markets where matched funding is impossible to obtain, or can be obtained only 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. Currency translation differences in the Group's equity are generally the difference of equity and goodwill in foreign currency less net investment hedges and tax.

In addition to the immediate change in the market value of Nordea's assets and liabilities that could be caused by a change in financial market variables, a change in interest rates could also affect the net interest income over time. This is structural interest income risk (SIIR) which is discussed further below.

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.

Measurement of market risk

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

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

It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have significant effect on the risk figures produced. While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that the historical observations of the market variables that are used as input may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. Nordea's choice to use the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons from using longer or shorter time series in the calculation of VaR.

Market risk analysis

The consolidated market risk for Nordea, presented in the table above, includes both the trading book and the banking book. The total VaR was EUR 43m at the end of 2014 (EUR 148m at the end of 2013). The decrease in total VaR over the year is mainly related to the decrease in interest rate VaR which is a reflection of changed positions and a decreased interest rate level. Interest rate VaR was EUR 37m (EUR 153m), whereof half is driven by USD and EUR exposures. Commodity risk was at an insignificant level.

The fair value of the portfolio of illiquid alternative investments was EUR 448m at the end of 2014 (EUR 497m at the end of 2013), of which private equity funds EUR 190m, hedge funds EUR 134m, credit funds EUR 112m and seed-money investments EUR 12m. All four types of investments are spread over a number of funds.

Foreign exchange rate positions in FX VaR[1]

EURm	2014	2013
DKK	778.8	643.5
SEK	125.1	–87.0
USD	100.8	80.0
CHF	-32.3	–60.7
LVL	-31.9	-10.8
LTL	21.3	26.1
Other[2]	-1.7	159.5

1) The disclosed FX positions relate to positions in financial instruments in the banking book and trading book. Financial derivatives are included with their delta equivalent. Structural FX risk e.g. related to investments in subsidiaries and associated companies or related to earnings and cost streams denominated in foreign currencies, are not included.
2) Aggregate net position for foreign exchange positions with an individual absolute value below EUR 20m.

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

SIIR reflects the mismatches in the balance sheet items and the off-balance sheet items when the interest rate repricing periods, 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 and organisational procedures. Policy statements focus on optimising financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

Group Corporate Centre has the responsibility for the operational management of SIIR.

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

SIIR analysis
At the end of the year, the SIIR for increasing market rates was EUR 384m (EUR 409m) and the SIIR for decreasing market rates was EUR –160m (EUR –466m) 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 legal risk and compliance risk, which is the risk of business not being conducted according to obligations pursuant to laws, statutes and other regulations applicable to the operations subject to authorisation, and internal rules thereby jeopardizing customers' best interest, other stakeholders trust and increasing the risk of regulatory sanctions, financial loss or damage to the reputation and confidence. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

Managing operational risk is part of the management's responsibilities. The operational risks are monitored through regular risk assessment procedures and a systematic, quality and risk focused management of changes. Development of new products, services, activities as well as processes and systems shall be risk assessed. Identified risk elements and consequences of risk events are mitigated with, inter alia, up to date Business Continuity Plans as well as Group Crisis Management and Communication plans ensuring a good contingency preparedness in all business plans and crisis management structures. External risk transfer is used in the form of insurance, including reinsurance, to cover certain aspects of crime risk and professional liability, including the liability of directors and officers. Nordea furthermore uses insurance for travel, property and general liability purposes.

The key principle for the management of Operational risks is the three lines of defence. The first line of defence is represented by the Business Areas and Group Functions who are responsible for their own daily risk management and for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management at first line of defence. The control functions Group Operational Risk, in Group Risk Management, and Group Compliance are in the second line of defence responsible for activities such as independently monitoring, controlling and reporting of issues related to key risks, including compliance with internal and external regulations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in third line of defence.

The key process for management of operational risks is the annual Operational Risk Assessment process. The process includes the risk and control self-assessment (RCSA) and the scenario analysis, and puts focus on both the risks on a divisional and unit level threatening its daily activities and the risks which could cause extreme financial losses or other significant impacts to Nordea as well as ensuring fulfilment of requirements specified in Group directives. The risks are identified both through top-down and through bottom-up analysis of results obtained from control questions as well as existing information from processes, such as incident reporting, scenario analysis, quality and risk analyses as well as 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.

With the sanction imposed by the Swedish FSA on Nordea in 2013, Nordea has continued and further increased its efforts to ensure compliance in the areas of anti-money laundering, counter-terrorist financing, and sanctions management during 2014. A large part of the focus has been on obtaining full KYC information on existing customers, where major progress has been made in all Business Areas. Though, given the complexity of the issues both from a regulatory perspective and an organisational perspective, the work to complete this will continue during 2015 and 2016, primarily in Retail Banking where most of the customers are located. In addition, new processes for making sure the proper KYC is in place for new customers have been rolled out along with training related to KYC processes and procedures. Furthermore, Nordea has continued to strengthen its automated monitoring of suspicious activities as well as expanded its screening of transactions against international sanctions lists. The AML area is in focus also from the supervisory authorities. The supervisory authorities, including the Swedish FSA, have during 2014 conducted ongoing investigations with regards to Nordea's compliance to the AML requirements which for some investigations covers several years. The outcome of the investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

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 life & health products, from endowments with a duration of a few years to very long term pension savings contracts, with durations of more than 40 years. There is a strategic move away from traditional business, where policyholders are offered guaranteed investment returns to market return business, where policyholders bear more of the investment risk and benefit from any upside in the return achieved. The two major risks in the life insurance business continue to be market risk and life & health insurance risks.

Market risk arises due to a mismatch between assets and liabilities and the sensitivity of the values of these assets and liabilities to change in the level or in the volatility of market prices or rates. In addition, market risk arises from the investment of the shareholders' equity. The market risk is mitigated through liability driven investment where appropriate aiming at reducing the asset-liability mismatch, while at the same time creating an investment return enabling Nordea Life & Pensions to meet the guarantees offered and customer's expectations.

The life and health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality rates, longevity rates, disability rates, surrender/lapse risks 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 setting up adequate provisions for risks.

Liquidity management

Key issues during 2014

During 2014, Nordea continued to benefit from its focus on prudent liquidity risk management, in terms of maintaining a diversified and strong funding base. Nordea had access to all relevant financial markets and was able to actively use all of its funding programmes. Nordea issued approx. EUR 22bn in long-term debt, of which approx. EUR 13bn in the Swedish, Finnish and Norwegian covered bond markets. Swedish FSA introduced Liquidity Coverage Ratio (LCR) requirement in the beginning of 2013, and Nordea is LCR compliant in all currencies combined and separately in USD and EUR.

Management principles and control

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

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

Liquidity risk management

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

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify its sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programmes. Funding programmes are both short-term (US commercial paper, European commercial paper, commercial paper, Certificates of Deposits) and long-term (covered bonds, European medium-term notes, medium term notes) and cover a range of currencies.

Nordea's funding sources are presented in a table below. As of year-end 2014, the total volume utilised under short-term programmes was EUR 53.1bn (EUR 52.3bn) with the average maturity being 0.3 (0.2) years. The total volume under long-term programmes was EUR 141.2bn (EUR 133.3bn) with average maturity being 6.4 (5.8) years. During 2014, the volume of long-term programmes increased by EUR 7.9bn whilst the volume of short-term programmes increased by EUR 0.8bn. Trust is fundamental in the funding market, therefore Nordea periodically publishes information on the liquidity situation of the Group.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. Stress testing framework includes also survival horizon metrics (see below), which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Corporate Centre that can be readily sold or used as collateral in funding operations.

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

The Board of Directors has set the limit for minimum survival without access to market funding during 30 days.

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

Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2014. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +11.3bn (EUR +16.8bn). Nordea's liquidity buffer range was EUR 59.5 – 67.3bn (EUR 58.2bn – 72.5bn) throughout 2014 with an average buffer size of EUR 62.5bn (EUR 64.4bn). Nordea's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury, as shown in the table below. Survival horizon was in the range EUR 42.1bn – 54.7bn (EUR 49.0bn – 68.2bn) throughout 2014 with an average of EUR 46.9bn (EUR 59.0bn). The aim of always maintaining a positive NBSF was comfortably achieved throughout 2014. The yearly average for the NBSF was EUR 51.1bn (EUR 52.8bn).

The Liquidity Coverage Ratio (LCR) for the Nordea Group was at the end of 2014 149% (117%) with yearly average of 131%. At the end of 2014 the LCR in EUR was 307% (140%) and in USD 169% (127%), with yearly averages of 194% and 136%, respectively.

Net balance of stable funding, 31 December 2014

Stable liabilities and equity, EURbn	Amount
Tier 1 and tier 2 capital	29.1
Secured/unsecured borrowing >1 year	120.5
Stable retail deposits	31.7
Less stable retail deposits	57.5
Wholesale deposits <1 year	70.2
Total stable liabilities	**309.0**

Stable assets, EURbn	Amount
Wholesale and retail loans >1 year	233.3
Long-term lending to banks and financial companies	4.6
Other illiquid assets	20.1
Total stable assets	**258.0**
Off-balance-sheet items	**2.2**
Net balance of stable funding (NBSF)	**48.8**

Funding sources, 31 December 2014

Liability type, EURm	Interest rate base	Average maturity (years)	Amount
Deposits by credit institutions			
– shorter than 3 months	Euribor etc	0.0	54,155
– longer than 3 months	Euribor etc	0.6	2,167
Deposits and borrowings from the public			
– Deposits on demand	Administrative	0.0	121,987
– Other deposits	Euribor etc	0.2	75,268
Debt securities in issue			
– Certificates of deposits	Euribor etc	0.3	22,927
– Commercial papers	Euribor etc	0.3	30,133
– Mortgage covered bond loans	Fixed rate, market-based	7.8	99,244
– Other bond loans	Fixed rate, market-based	3.1	41,970
Derivatives		n.a.	97,340
Other non-interest-bearing items		n.a.	34,529
Subordinated debentures			
– Dated subordinated debenture loans	Fixed rate, market-based		4,434
– Undated and other subordinated debenture	Fixed rate, market-based		3,508
Equity			29,837
Total (total liabilities and equity)			**617,499**
Liabilities to policyholders (in the Life insurance operations)			51,843
Total (total liabilities and equity) including Life insurance operations			**669,342**

For a maturity breakdown, see Note G45.

Capital management

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to different asset, liability and risk categories. The goal is to enhance returns to shareholders while maintaining a prudent capital structure.

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

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

Capital requirements

The capital requirement and the own funds described in this section follow the CRR rules and not accounting standards, see Note G38 for details. Therefore the capital requirement and the own funds are only applicable for Nordea Bank AB (publ) on its consolidated situation, in which the insurance companies are not consolidated.

Capital requirements and REA

	31 Dec 2014		31 Dec 2013
EURm	Minimum capital requirement	REA	REA
Credit risk	**9,522**	**119,029**	**129,705**
– of which counterparty risk	*843*	*10,535*	*6,312*
IRB	8,451	105,637	112,061
– of which corporate	5,743	71,792	84,844
– of which advanced	*4,048*	*50,600*	*—*
– of which foundation	*1,695*	*21,192*	*84,844*
– of which institutions	766	9,572	5,848
– of which retail	1,755	21,940	19,848
– secured by property mortgage	*878*	*10,982*	*10,772*
– other retail	*792*	*9,897*	*7,778*
– SME	*85*	*1,061*	*1,298*
– of which other	187	2,333	1,521
Standardised	**1,071**	**13,392**	**17,644**
– of which sovereign	74	928	428
– of which institutions	27	338	611
– of which corporate	154	1,921	3,768
– of which retail	255	3,181	5,949
– secured by property mortgage	222	2,777	4,826
– of which equity	195	2,442	—
– of which other	144	1,805	2,062
Credit value adjustment risk	**185**	**2,308**	**—**
Market risk	**584**	**7,296**	**8,753**
– of which trading book, Internal approach	312	3,898	5,131
– of which trading book, Standardised approach	112	1,402	2,321
– of which banking book, Standardised approach	160	1,996	1,301
Operational risk, standardised	**1,347**	**16,842**	**16,796**
Sub total	**11,638**	**145,475**	**155,254**
Additional capital requirement due to Basel I floor adjustment	5,995	74,938	53,969
Total	**17,633**	**220,413**	**209,223**

Capital policy

The current capital policy states that Nordea Group should have a target minimum of 13% in CET1 and 17% in total capital ratio. The most recent review, performed in the fourth quarter of 2014 leaves the capital targets unchanged as there are still uncertainties with respect to the Swedish FSA's view on standardised models to be used by the banks for calculating the size of the pillar II add-on, as well as other on-going regulatory uncertainties such as the replacement of the current capital floor. The capital policy will be revised once the regulatory regime is further clarified. However, Nordea's current view is that the bank should operate with a CET1 ratio of approximately 15%, including a management buffer, although there is still some regulatory uncertainty.

Minimum capital requirements

Risk exposure amount (REA), previously referred to as risk-weighted assets or RWA, is calculated in accordance with the requirements in the CRR. Nordea had 80% of the credit risk exposure covered by internal rating based (IRB) approaches by the end of 2014. Nordea aims to implement the IRB approach for some remaining portfolios. During the first quarter of 2014 Nordea implemented the advanced IRB approach for the Group's corporate exposures in the Nordic region. In the fourth quarter, Nordea was approved to use the retail IRB approach for the majority of the retail exposures in Finland which were not previously reported in IRB.

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

Internal capital requirement

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

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

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

Economic Capital (EC)
Economic Capital is a method for allocating the cost of holding capital, as a result of risk taking, and is a central component in the Economic Profit (EP) framework. The allocation of costs within the EC model is based on the same risk components as the ICAAP but also includes risks in the insurance businesses. EC is calculated for the legal group whereas the ICAAP, which is governed by the CRD, covers only Nordea Bank AB (publ) on its consolidated situation. EC has been aligned to CET1 capitalisation requirements according to CRR. Additional capital items were introduced in the EC during 2014 to reduce the gap between legal equity and allocated capital.

Economic Capital (EC including Nordea Life and Pensions) was at the end of 2014 EUR 23.9bn (EUR 24.4bn as of 2013, restated).

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

Expected losses (EL)
EL reflects the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios. During 2014 there were no changes to the EL framework apart from the regular update of parameters based on the latest validations.

The EL ratio used in the EP framework, calculated as EL divided by exposure at default (EAD), was 12 basis points as of year-end 2014 (13 basis points as of 2013) excluding the sovereign exposure class.

EL is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Own funds
Own funds is the sum tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 (CET1) and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Due to the implementation of CRR deductions that according to previous rules were made 50 % from tier 1 and 50 % from tier 2 are now fully deducted from common equity tier 1. Furthermore, CRR also changed the treatment of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, which are now risk weighted instead of deducted from tier 1 and tier 2.

Additional tier 1 and tier 2 capital consist mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Summary of items included in own funds

EURm	31 Dec 2014	31 Dec 2013
Calculation of own funds		
Equity	29,063	28,429
Proposed/actual dividend	–2,501	–1,734
Deferred tax assets	—	–68
Intangible assets	–2,584	–2,987
IRB provisions excess (+)/shortfall (–)	–344	–369
Deduction for investments in credit institutions (50%)	—	–99
Pension assets in excess of related liabilities	–33	0
Other items, net	–780	–841
Common equity tier 1 (CET1) capital (net after deduction)	**22,821**	**23,112**
Additional tier 1 (AT1) capital before regulatory adjustments	2,800	1,949
Regulatory adjustments to AT1 capital	–32	–616
Tier 1 capital (net after deduction)	**25,588**	**24,444**
Tier 2 capital before regulatory adjustments	5,012	4,789
IRB provisions excess (+)/shortfall (–)	—	–369
Deduction for investments in credit institutions (50%)	—	–99
Deductions for investments in insurance companies	–505	–616
Pension assets in excess of related liabilities	—	–190
Other items, net	–46	81
Total own funds (net after deduction)	**30,049**	**28,040**

Capital adequacy ratios

	2014	2013
Common equity tier 1 (CET1) capital ratio excluding Basel I floor (%)	15.7	14.9
Tier 1 ratio excluding Basel I floor (%)	17.6	15.7
Capital ratio excluding Basel I floor (%)	20.7	18.1
Capital adequacy quotient (Own funds/capital requirement excluding Basel I floor)	2.6	2.3
Capital adequacy quotient (Own funds/capital requirement including Basel I floor)	1.7	1.7

Capital situation of the financial conglomerate
As the Sampo Group has an owner share of more than 20% in Nordea Bank AB (publ), Nordea is part of the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC.

Further information – Note G38 Capital adequacy and the Capital and Risk Management Report
Further information on capital management and capital adequacy is presented in Note G38 Capital adequacy and in the Capital and Risk Management Report at www.nordea.com.

New regulations

The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force from 1 January 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV was implemented through national law within all EU member states during 2014, through national processes.

Parts of the CRD IV/CRR are still being phased-in. As communicated by Swedish authorities already in 2011 the Common Equity Tier 1(CET1) requirement for the four large Swedish banks will be 12% from 2015. This has been achieved by setting the capital conservation buffer to 2.5% CET1 and by activating the systemic risk buffer to 3% from 2015. In addition there has been an additional systemic risk buffer requirement of 2% CET1 within Pillar II from September 2014. On top of the 12% CET1 requirement, the Swedish FSA has decided that the countercyclical capital buffer will be set to 1% CET1 for Swedish exposures from 13 September 2015.

Updates on Basel III and the CRD IV/CRR

On 22 December 2014 the Basel Committee on Banking Supervision (BCBS) published a consultation on the design of a permanent floor, replacing the current Basel I (transitional) floor. The proposal is that the floor shall be based on the revised standardised approaches for credit-, market- and operational risks that is currently, or has recently been, on consultation. The intention from the BCBS is to finalise the work by end-2015.

In December 2014 the Swedish FSA published a proposal for standardised methods for assessing the capital adequacy requirement within Pillar II for concentration risk, interest rate risk in the banking book (IRRBB) and pension risk. The intention is to use the methods in the SREP in 2015.

The CRR introduced a non-risk based measure, the leverage ratio, in order to limit an excessive build-up of leverage on credit institutions' balance sheets. The impact of the ratio is being monitored by the supervisory authorities with an aim to migrate to a binding measure in 2018. The leverage ratio will be calculated as the tier 1 capital divided by the exposure (on-balance and off-balance sheet exposures, with adjustments for certain items such as derivatives and securities financing transactions). On 17 January 2015 a revised version of the calculation of the leverage ratio was published in the Official Journal entering into force the day after. The revised version is an update of the CRR to be more in line with the BCBS leverage ratio framework from January 2014.

The CRR also introduces two new quantitative liquidity standards; liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR requires that a bank hold liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of 30 days. The EU Commission has published a delegated act on LCR specifying details for calculations of inflows and outflows. The detailed LCR rules will enter into force on 1 October 2015 with phase-in of 60% in 2015, 70% in 2016, 80% in 2017 and 100% in 2018. NSFR requires that a bank shall ensure that long term obligations are adequately met with a diversity of stable funding instruments under both normal and stressed conditions. BCBS published a final recommendation on NSFR in October 2014 with the intention to introduce NSFR as a minimum standard in 2018. Within the EU, the EU Commission is expected to present a proposal by late 2016, if it is deemed appropriate.

Bank Recovery and Resolution Directive

The Banking Recovery and Resolution Directive (BRRD) was published in the Official Journal in June 2014 together with the Directive on Deposit Guarantee Scheme. The BRRD outlines the tools and powers available to the relevant authorities in the EU, which are aimed at both preventing bank defaults as well as handling banks in crises, while maintaining financial stability. The DGS strengthens the protection of citizens' deposits in case of bank failures. The BRRD require banks to draw up recovery plans to describe the measures they would take in order to remain viable if their financial situation is considerably weakened. The BRRD also sets the minimum requirement for own funds and eligible liabilities (MREL) for all EU banks. In November 2014, the EBA published a technical standard describing the calculation of the MREL requirement. The final version of the EBA technical standard will be applied for all EU banks at the latest in 2016. In November 2014 the Financial Stability Board (FSB) published a consultation on the total loss absorbing capacity (TLAC). The TLAC is intended to ensure adequate availability of loss-absorbing capacity for global systemic banks in resolution, similar to the MREL. The TLAC requirement will not be applied before 2019.

Bank structural reform

In February 2012, the EU Commission established a high-level expert group (HLEG) with the task to assess whether additional reforms on the structure of individual banks should be considered. The HLEG answer to the task was presented in a report in October 2012 and suggested mandatory separation of proprietary trading and other high-risk trading activities from the normal banking activities. The main purpose would be to separate certain particularly risky parts of financial activities from deposit taking activities within a banking group. The underlying objective is to make deposit taking banks safer and less connected to trading activities. Risky financial activities are defined as proprietary trading and all securities or derivatives incurred in the process of market-making as well as exposures towards hedge funds, private equity investments and structured investment vehicles.

Solvency II

The Solvency II regime, which will come into force from 1 January 2016, introduces a consistent prudential framework for insurance regulation across Europe. The main objectives of Solvency II are to:

- have a forward-looking risk-based solvency capital assessment and replace the old "volume-based" capital requirement framework
- ensure that the risk ownership is anchored with executive management and the Board of Directors
- ensure that the risk measurement and governance is embedded into business operations and strategic planning
- strengthen the supervision of insurance groups.

Accounting

Nordea's accounting policies, which follow IFRS, are under change. Nordea's assessment is that the most important changes are related to Financial Instruments (IFRS 9) and Insurance Contracts (IFRS 4), although other changes might also have an impact on Nordea. IFRS 9 will become mandatory from 2018 if endorsed in the EU. The finalisation dates and effective dates for the amended IFRS 4 is still pending.

Corporate Governance Report 2014

Strong corporate governance is about companies having clear and systematic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory internal control, risk management and transparency. Commitment to Nordea's mission and vision requires the integration of sound corporate governance practices into regular business activities in order to, attain – as far as possible – a company that is well governed and well managed.

This Corporate Governance Report is prepared in accordance with the requirements in the Swedish Annual Accounts Act and 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 sound corporate governance. Nordea's system for internal control and risk management regarding financial reporting is also covered.

Corporate governance at Nordea

Nordea Bank AB (publ) is a Swedish public limited company listed on the Nasdaq stock exchanges in Stockholm, Helsinki and Copenhagen. Corporate governance at Nordea follows generally adopted principles of corporate governance. The external framework that regulates corporate governance work includes the Swedish Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Securities Companies, EU regulations for the financial industry, rules issued by relevant financial supervisory authorities, the Nasdaq's rules for each stock exchange and the rules and principles of the Code. Nordea complies with the Code and has no deviations to report in 2014.

In 2014, the Company 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 is available at www.corporategovernanceboard.se.

Division of powers and responsibilities

The management and control of Nordea is divided among the shareholders (at 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 set forth by the Board of Directors.

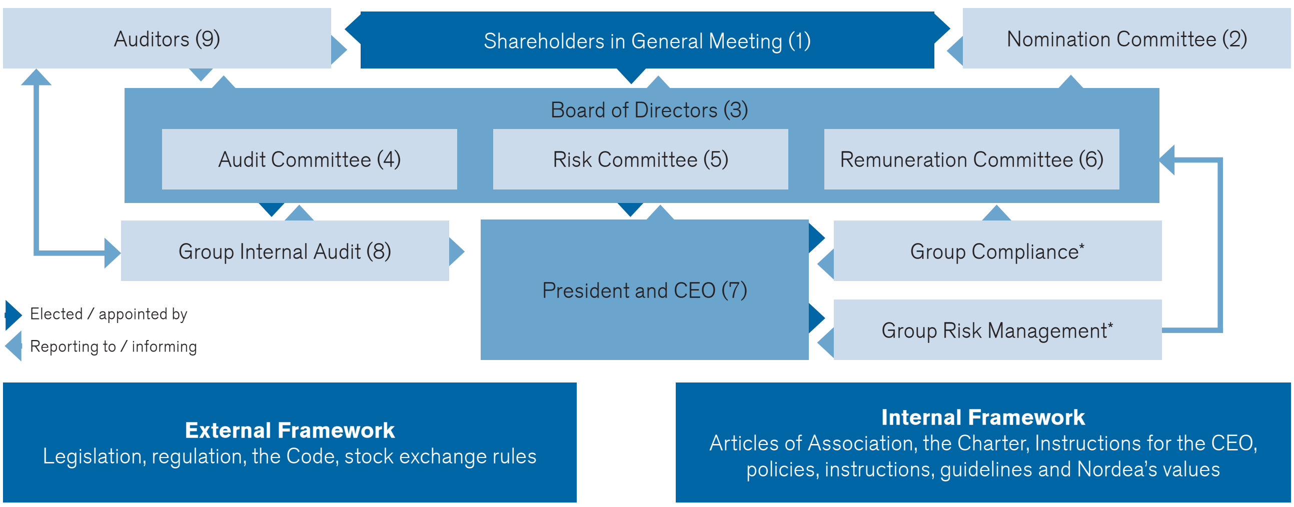
General Meetings (1)

The General Meeting is the Company's highest decision-making body, at which shareholders exercise their voting rights. At the General Meeting, decisions are taken regarding matters such as the annual accounts, dividend, election of the Board of Directors and auditors, remuneration for Board members and auditors and guidelines for remuneration for executive officers.

General Meetings are held in Stockholm. The minutes of the Annual General Meeting (AGM) 2014, are available at www.nordea.com.

The AGM 2015 will be held on Thursday 19 March 2015.

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 16 to 17 and 35 to 43.

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. More information about the Nordea share is presented in the section "The Nordea share and shareholders" on page 13 and in the "Financial Review 2014" on page 28.

Articles of Association

The Articles of Association are available at www.nordea.com. Amendments to the Articles of Association are resolved by the General Meeting pursuant to Swedish law and are subject to the approval of the Swedish Financial Supervisory Authority.

Mandate to acquire and convey own shares

Information on the mandate to acquire and convey own shares is presented in the Financial Review 2014 on page 30.

Mandate to issue convertible instruments

Information on the mandate to issue convertible instruments is presented in the Financial Review 2014 on page 30.

Nomination process (2)

The AGM 2014 decided to establish a Nomination Committee with the task of proposing Board members, the Chairman of the Board and auditor as well as remuneration for the Board members and auditor to the AGM 2015.

The Nomination Committee shall comprise the Chairman of the Board (Björn Wahlroos) and four members appointed by the four largest shareholders in terms of voting rights on 31 August 2014, who wish to participate in the Committee.

The composition of the Nomination Committee was made public on 16 September 2014. Sampo plc had appointed Torbjörn Magnusson, Nordea-fonden had appointed Mogens Hugo, Alecta had appointed Per Frennberg and The Fourth Swedish National Pension Fund had appointed Monica Caneman. Torbjörn Magnusson had been appointed chairman of the Nomination Committee. At the date of constitution, the Nomination Committee represented 28.7% of the shareholders' votes.

The proposals of the Nomination Committee are presented in the notice of the AGM 2015 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 consists of at least six and no more than fifteen members elected by the shareholders at the General Meeting. The term of office for Board members is one year. Nordea has neither a specific retirement age for Board members nor a time limit for how long a Board member may serve on the Board. There are no such requirements in the external framework.

According to the Articles of Association, the aim is to ensure that the Board as a whole for the purpose of its work possesses the requisite knowledge of and experience in the social, business and cultural conditions of the regions and markets in which the main activities of the Group are carried out. Furthermore, according to the Code, the board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The board members elected by the General Meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. According to the Code, the company is to strive for equal gender distribution on the board.

All board assignments in Nordea are based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness. In order to fulfil this, a broad set of qualities and competences are sought for and it is recognised that diversity, including age, gender, geographical provenance and educational and professional background, is an important factor to take into consideration.

The Board currently consists of eight members elected by the General Meeting after Svein Jacobsen's resignation of his own accord on 31 July 2014. The resignation was made public on 17 July 2014.

In addition, three members and one deputy member are appointed by the employees. Employees are entitled under Swedish legislation to be represented on the Board. The CEO of Nordea is not a member of the Board. The composition of the Board of Directors is shown in the table on page 51 and further information regarding the Board members elected by the AGM 2014 is presented in the section "Board of Directors" on page 212.

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 to be independent of 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 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, and independent in relation to the Company's major shareholders, exceeds the minimum requirements.

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

The independence of the individual Board members is also shown in the table on page 51.

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 is also established. The statutory meeting following the AGM 2014 elected the vice Chairman and appointed the Board Committee members. The Board has adopted written work procedures governing its work and its work carried out in the Board Committees (the Charter). For example, the Charter sets forth the Board's and the Chairman's areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains rules regarding conflicts of interest and confidentiality. Furthermore, the Board of Directors has adopted instructions for the CEO specifying the CEO's responsibilities as well as other charters, policies and instructions for the operations of the Group. These, together with the Articles of Association, the Charter and Nordea's values, constitute the internal framework that regulates corporate governance at Nordea. Further information regarding Nordea's values is presented in the section Strategy – the future relationship bank developing, on page 10.

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 the external and internal framework. Furthermore, 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) annually issues to the Board an overall assurance statement on Nordea's governance, risk management and control processes. The assurance statement for 2014 concludes that the internal control system is adequate and effective. Further information regarding internal control within Nordea is provided below under "Internal Control Process".

At least once a year, the Board meets the external auditor without the CEO or any other member of Group Executive Management (GEM) being present. In addition, the auditor in charge meets separately with the Chairman of the Board and with the Chairman of the Board Audit Committee.

In 2014, the Board held ten meetings. Nine meetings were held in Stockholm, and one in Finland. For more information see the table on page 51. 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. In 2014, the Board also dealt with for example reports on and issues related to the financial market and macroeconomic trends, new regulatory initiatives, capital and liquidity, Internal Capital Adequacy Assessment Process (ICAAP), internal control, AML, compliance, the group simplification programme, the work of the Board Committees, HR and remuneration issues, and transactions of significance.

The 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 is to ensure that the Board's work is conducted efficiently and that the Board fulfils its duties. The Chairman is to 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 conducts a self-evaluation process, through which the performance and the work of the Board is evaluated and discussed by the Board. The evaluation is based on methodology that includes questionnaires to evaluate the Board as a whole, the Chairman and individual Board members. According to European regulatory requirements, an internal process has been set up for assessing the suitability of the Board of Directors as a whole as well as of the members of the Board of Directors.

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 to assist the Board in preparing matters, belonging to the competence of the Board and to decide in matters delegated by the Board. The duties of the Board Committees, as well as working procedures, are defined in the Charter. 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 oversight responsibilities by, for instance, monitoring the Nordea Group's financial reporting process, and, in relation thereto, the effectiveness of the internal control and risk management systems, established by the Board of Directors, the CEO and 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 assisting the Nomination Committee in preparing proposals on auditors 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 GIA.

Members of the BAC are Tom Knutzen (chairman), as of AGM 2014 and as chairman as of 31 July 2014, Elisabeth Grieg and Sarah Russell. Svein Jacobsen was a member and chairman from the AGM 2014 until his resignation of his own accord from the Board on 31 July 2014. Generally, the Group Chief Audit Executive (CAE) and the Chief Financial Officer (CFO) are present at meetings and are entitled to participate in discussions, but not in decisions.

According to the Swedish Companies Act and the Code, the majority of the members of the 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 must also be independent of the Company's major shareholders. Nordea follows the legal requirement as well as complies with the Code. For more information, see the table on page 51.

The Board Risk Committee (5)

The Board Risk Committee (BRIC) assists the Board of Directors in fulfilling its oversight responsibilities concerning the 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 makes recommendations regarding the Group's risk appetite and limits for market and liquidity risks. Furthermore, the BRIC reviews resolutions made by lending entities concerning credits or limits 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 Robin Lawther, as of AGM 2014. Tom Knutzen was a member until the AGM 2014. Generally, the Head of Group Risk Management and, when deemed important and to the extent possible, the CEO are present at meetings and are entitled 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", on page 36.

There are no rules on the independence of the BRIC members in the external framework. For more information, see the table on page 51.

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, as well as guidelines for remuneration for the executive officers to be decided by the AGM. The BRC is also responsible for proposals regarding remuneration for the CEO, other members of GEM as well as the CAE and, on the proposal of 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 the GIA, and exercises an assessment of the Nordea Remuneration Policy and remuneration system with the participation of appropriate control functions. The BRC also has the duty of annually monitoring, evaluating and reporting to the Board on the programmes for variable remuneration for GEM, as well as the application of the guidelines for remuneration for 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), Peter F Braunwalder (until AGM 2014) and Björn Wahlroos. Generally, the CEO and the Head of Group Human Resources are present at the meetings and are entitled 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 at Nordea is presented in the separate section "Remuneration", on page 55 and in Note G7, on page 97.

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

	Board of Directors	Board Audit Committee	Board Risk Committee	Board Remuneration Committee	Independence in relation to the Company[1]	Independence in relation to the major shareholders[1]
Number of meetings	10	12	6	6		
Meetings attended:						
Elected by AGM						
Björn Wahlroos[2]	10	—	—	6	Yes	No
Marie Ehrling[3]	10	—	—	6	Yes	Yes
Peter F Braunwalder[4]	1	—	—	—	Yes	Yes
Elisabeth Grieg	10	12	—	—	Yes	Yes
Svein Jacobsen[5]	7	7	—	—	Yes	Yes
Tom Knutzen	10	9	2	—	Yes	Yes
Robin Lawther[6]	7	—	4		Yes	Yes
Lars G Nordström	10	—	6	—	Yes	Yes
Sarah Russell	10	12	—	—	Yes	Yes
Kari Stadigh	10	—	6	—	Yes	No
Appointed by employees						
Kari Ahola (deputy 1 Nov 2014–30 Apr 2015)	9	—	—	—	No	Yes
Toni H. Madsen (deputy 1 May 2014–31 Oct 2014)	9	—	—	—	No	Yes
Lars Oddestad (deputy 1 Nov 2013–30 Apr 2014)	10	—	—	—	No	Yes
Hans Christian Riise	10	—	—	—	No	Yes

1) For additional information, see Independence on page 49.
2) Chairman from AGM 2011.
3) Vice Chairman from AGM 2011.
4) Board and Committee member until AGM 2014.
5) Board and Committee member until 31 July 2014.
6) Board member from AGM 2014.

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.

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 the external and internal framework. The internal framework regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board with the 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", on page 35. The CEO works together with executive officers within the Group in GEM. Presently, GEM consists of six members and the CEO. GEM meets regularly and whenever necessary upon request by the CEO. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Notes of meetings, verified by the CEO, are kept. Further information regarding the CEO and GEM is presented in the section "Group Executive Management", on page 214.

Internal control process
The Internal Control Process is carried out by the Board of Directors, management and other staff at Nordea and is designed to provide reasonable assurance regarding objective fulfilment in terms of effectiveness and efficiency of operations, reliability of financial and non-financial reporting, compliance with external and internal regulations, safeguarding of assets as well as sufficient management of risks in the operations. The Internal Control Process is based on five main components: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

The framework for the Internal Control Process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. In the first line of defence, the business organisation and Group Functions are responsible for conducting their business within risk exposure limits and in accordance with the decided internal control and risk management framework. As second line of defence, the centralised risk group functions are responsible for providing the internal control and risk management framework. Group Internal Audit performs audits and provides assurance to stakeholders on governance, risk management and internal controls, 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) bears overall responsibility for GIA. The CAE reports on a functional basis to the Board of Directors and the Board Audit Committee and reports on an administrative basis 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, and by promoting continuous improvement.

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

GIA operates without interference in determining the scope of internal auditing, performing its audit work and communicating its results. GIA is authorised to carry out all investigations and obtain all information required to execute 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 must be elected by the General Meeting for a term of one year. At the AGM 2014, KPMG AB was re-elected auditor until the end of the AGM 2015. Hans Åkervall is the auditor-in-charge.

Report on internal control and risk management regarding financial reporting

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

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 "Strategy – the future relationship bank developing" on page 10.

A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with strong business momentum and increased requirements on capital and liquidity. The business and the organisation are under continuous development. Further information on the relationship strategy is presented on page 10.

The key principle of risk management at Nordea is the three lines of defence, with the first being the business organisation and Group Functions, the second being the centralised risk group functions, which define a common set of standards, and the third being the internal audit function. The Accounting Key Control (AKC) function, implements a Nordea Group-wide system of key controls. This is done to ensure that controls essential to the financial reporting are continuously identified, monitored and assessed in the Group.

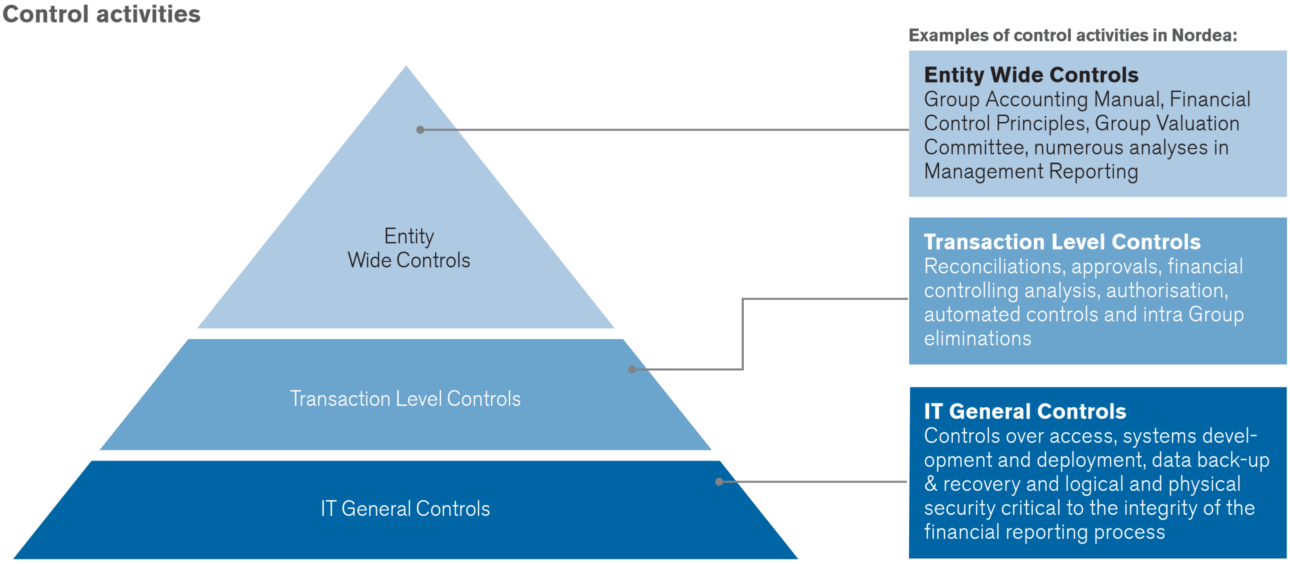
Risk Assessment

The Board of Directors bears ultimate responsibility for limiting and monitoring the Nordea Group's risk exposure, and risk management is considered to be an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality, central functions stipulate in governing documents when and how these assessments are to be performed. Examples of risk assessments, performed at least annually, are Quality and Risk Analysis for changes and Risk and Control Self-Assessments at divisional levels.

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

Control activities



is primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, such as the Group Valuation Committee. The GAM includes a standard reporting package used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting. Fundamental internal control principles at Nordea are the segregation of duties and the four-eyes principle when approving, for instance, transactions and authorisations.

The quality assurance vested in the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls in which Nordea works continuously to further strengthen the quality.

Information & Communication

Group Functions are responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated with the responsible units. These governing documents are broken down into instructions and standard operating procedures in the responsible units. On an annual basis, accounting specialists from Group Finance provide sessions for accountants and controllers in order to inform about existing and updated rules and regulations with an impact on Nordea.

Matters having impact on the fulfilment of financial reporting objectives are communicated with external parties, with Nordea actively participating in relevant national forums, for example forums established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

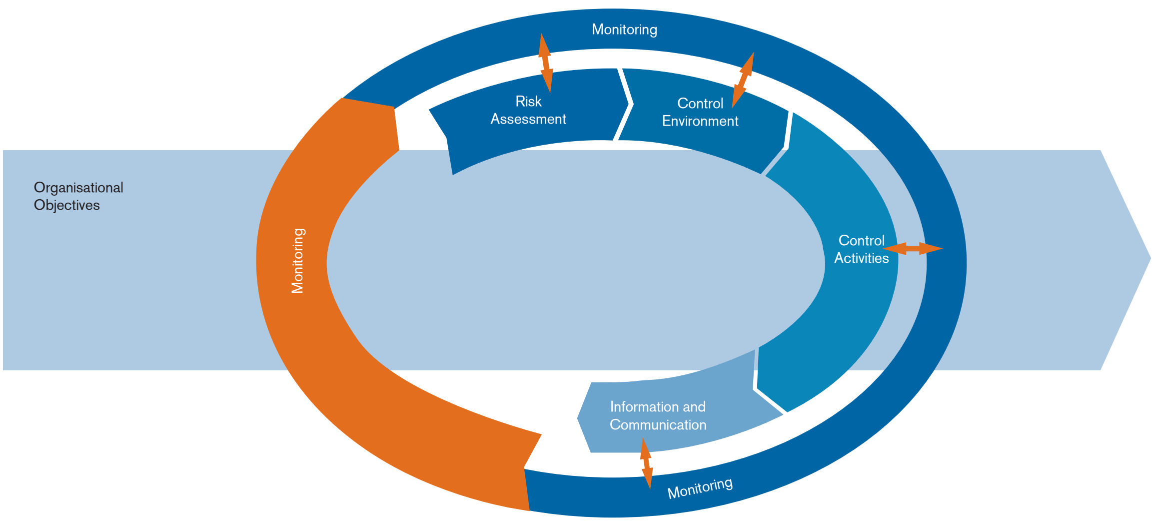
Monitoring

Nordea has established a process with the purpose of ensuring proper monitoring of the quality of the financial reporting and follow-up regarding possible deficiencies.

This interactive process aims to cover all COSO-components in the Framework and is illustrated with the diagram below.

The Risk and Control Self-Assessment process includes monitoring the quality of internal control for financial reporting. The assessment is presented in the annual Operational and Compliance Risk Map, which is submitted to Group Executive Management, the Board Audit Committee, the Board Risk Committee and the Board of Directors.

The Board of Directors, the Board Audit Committee, the Board Risk Committee and Group Internal Audit have important roles with respect to monitoring the internal control of financial reporting at Nordea Group. For further information, see "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 policy, 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 recruit, develop and retain highly motivated, competent and performance-oriented employees and hence the People strategy.
- Supplement excellent leadership and challenging tasks as driving forces for creating high commitment among employees and a Great Nordea.
- Ensure that compensation at Nordea is aligned with efficient risk management and the Nordea values: Great customer experiences, It's all about people and One Nordea team.

Nordea offers competitive, but not market-leading compensation packages.

Nordea has a total remuneration approach to compensation that recognises the importance of well-balanced but varied remuneration structures based on business and local market needs, and of compensation being consistent with and promoting sound and effective risk management, and not encouraging excessive risk-taking or counteracting Nordea's long-term interests.

Nordea remuneration components – purpose and eligibility

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

Profit Sharing aims to stimulate value creation for customers and shareholders and is offered to all employees. The performance criteria for the 2014 programme are Risk adjusted Return on Capital at Risk (RaRoCaR) and Customer Satisfaction Index (CSI).

Variable Salary Part (VSP) is offered to selected managers and specialists to reward strong performance. Individual performance is assessed based on a predetermined set of well-defined financial and non-financial success criteria, including Nordea Group criteria.

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

One Time Payment (OTP) can be granted to employees in the event of extraordinary performance that exceeds requirements or expectations, or in connection with temporary project work.

Pension and Insurance schemes aim at ensuring an appropriate standard of living after retirement and personal insurance during employment. Pension and insurance provisions are according to local laws, regulations and market practice and take the form either of determined public collective agreements, company-determined schemes or a combination thereof. Nordea aims to have defined contribution pension schemes.

Benefits at Nordea are granted as a means to stimulate performance and well-being. Benefits are either linked to the employment contract or local conditions.

Executive Incentive Programme (EIP) may be offered to recruit, motivate and retain selected managers and key employees, and aims to reward strong performance and efforts. EIP contains predefined financial and non-financial performance criteria at Group, BA/GF/Division and Unit/individual level. The Group performance criteria for EIP 2014 are Nordea's internal version of ROE being Risk-Adjusted Return On Capital At Risk (RAROCAR), Operating Profit, Total costs and Customer Satisfaction Index (CSI).

Further information regarding Profit Sharing, VSP, Bonus schemes and EIP is provided below in this section.

Risk analysis

Nordea's remuneration components are evaluated annually to ensure compliance with both international and local remuneration guidelines. In addition to the evaluation of Nordea's remuneration components, the risk analysis addressing issues arising with respect to Nordea's Remuneration Policy was updated in March 2014. Key factors addressed include risks related to the governance and structure of the remuneration schemes, target-setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially lead to total compensation that could 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, and predefined growth and development initiatives. The measurement of results is aligned with Nordea's overall performance measurement, and payout decisions are 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 2014 for employees in the risk analysis defined as Identified Staff will be partially deferred in 2015 to comply with international guidelines and national regulations. Amounts deferred and details about the deferrals will be published on nordea.com one week before the ordinary Annual General Meeting on 19 March 2015.

Audit of the remuneration policy

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

Remuneration for the Board of Directors

The AGM annually decides on remuneration for the Board of Directors. Further information is found in Note G7 on page 97.

Remuneration for the CEO and Group Executive Management (GEM)

The Board of Directors prepares the proposal for guidelines for remuneration for executive officers to be approved by the AGM annually. According to these guidelines, the Board of Directors has decided on the actual remuneration for 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 2014", page 48.

The external auditors presented a report to the AGM 2014 stating that, in 2013, the Board of Directors and the CEO complied with the guidelines for remuneration for executive officers as adopted by the AGM 2012 and 2013.

Further information about remuneration is found in Note G7 on page 97.

Approved guidelines for remuneration for executive officers for 2014

The AGM 2014 approved the following guidelines for remuneration for executive officers.

"Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver on the strategy and targets thus enabling Nordea to become a Great European bank.

The term "executive officers" shall in this context mean the CEO of Nordea Bank AB (publ) and the executives reporting directly to him, who are also members of Group Executive Management.

Remuneration for 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, national implementation of the EU's directive on capital requirements for banks as well as international sound compensation practices.

Salaries and other remuneration in line with market levels constitute the overriding principle for compensation for executive officers at Nordea. Compensation for 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 fixed salary and variable salary.

Variable salary to the executive officers will be offered as an Executive Incentive Programme 2014 ("GEM EIP 2014") to reward performance that meets predetermined targets at Group, business area/group function and individual level. The effect on the long term result is to be considered when determining the targets. The outcome from GEM EIP 2014 will be paid over a five-year period in cash and be subject to forfeiture clauses, Total Shareholder Return indexation and retention based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant. GEM EIP 2014 has a one year performance period and the outcome shall not exceed the fixed salary. The executive officers were offered a similar programme year 2013 (GEM EIP 2013). In accordance with SFSA's remuneration regulations guaranteed variable salary 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 of employment.

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. Fixed salary during the period of notice and severance pay shall in total not exceed 24 months of fixed salary for executive officers.

The Board of Directors may deviate from these guidelines if there are special reasons for this in a certain case."

Proposal for guidelines for remuneration for executive officers for 2015

Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver on the strategy and targets thus enabling Nordea to become a Great European bank.

The term "executive officers" shall in this context mean the CEO of Nordea Bank AB (publ) and the executives reporting directly to him, who are also members of Group Executive Management.

Remuneration for 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, national implementation of the EU's directive on capital requirements for banks as well as international sound compensation practices.

Salaries and other remuneration in line with market levels constitute the overriding principle for compensation for executive officers at Nordea. Compensation for 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 fixed salary and variable salary.

Variable salary to the executive officers will be offered as an Executive Incentive Programme 2015 ("GEM EIP 2015") to reward performance that meets predetermined targets at Group, business area/group function and individual level. The effect on the long term result is to be considered when determining the targets. The outcome from GEM EIP 2015 will be paid over a five-year period in cash and be subject to forfeiture clauses, Total Shareholder Return indexation and retention based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant. GEM EIP 2015 has a one year performance period and the outcome shall not exceed the fixed salary. The executive officers were offered a similar programme year 2013 and 2014 (GEM EIP 2013 and GEM EIP 2014).

In accordance with SFSA's remuneration regulations guaranteed variable salary 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 of employment.

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. Fixed salary during the period of notice and severance pay shall in total not exceed 24 months of fixed salary for executive officers.

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

Additional information to the Board of Directors' proposal for guidelines for remuneration to the executive officers

Deviations from approved guidelines 2014:
There have been no deviations from the approved guidelines 2014.

Cost of variable remuneration for executive officers (excluding social cost):
2014
The actual cost for GEM EIP 2014 is EUR 5.0m to be paid over a five-year period.
2015
The estimated maximum cost for GEM EIP 2015 is EUR 5.8m and the estimated cost assuming 60% fulfilment of the performance criteria is EUR 3.5m.

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 through which employees receive a share of the profit to encourage sound performance and one Nordea team which, in turn, will lead to better profitability and make working for the Nordea Group more attractive.

In 2014, a total of EUR 80m was provided for under Nordea's Profit Sharing scheme for all employees. For 2014, each employee can receive a maximum of EUR 3,200, of which EUR 2,600 is based on a pre-determined level of Risk adjusted Return on Capital at Risk (RaRoCaR) and EUR 600 is based on the level of customer satisfaction. If all performance criteria were met, the cost of the scheme would have amounted to a maximum of approx. EUR 88m.

Variable Salary Part (VSP)

VSP may be offered to selected managers and specialists to reward strong performance and as means to recruit, motivate and retain strongly performing employees at the 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 results for the Nordea Group, 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 few managers and key specialists within specific areas, where the amount can be a maximum of 50% of annual fixed salary. The responsible GEM member may, in extraordinary cases, approve a VSP agreement up to 100% of annual fixed salary.

Nordea adheres to the Grandparent principle when enrolling employees to any VSP scheme and approving the outcome. 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 in specific business areas or units approved by the Board of Directors. Nordea pays bonuses linked to performance, with both divisional bonus pools and individual allocations being explicitly based on defined performance measures. Divisional financial performance is measured as risk-adjusted profits, explicitly incorporating capital and funding costs, and is adjusted for multi-period revenue effects and minimum required profit. In the event of weak or negative overall results for the Nordea Group, 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 with bonus schemes are competitively rewarded although not eligible for bonus.

The Board of Directors decides on new or revised bonus schemes and the outcome of divisional bonus pools by proposal from BRC. GEM is responsible 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 for individuals.

Executive Incentive Programme

In 2013, Nordea introduced Executive Incentive Programme 2013 ("EIP 2013") which aims to strengthen Nordea's capability of retaining and recruiting the best talents. Furthermore, the aim is to stimulate the managers and key employees whose efforts have a direct impact on Nordea's result, profitability and long-term value growth. In 2014, Nordea offered an EIP 2014 with similar aims and structure as EIP 2013.

EIP rewards performance that meets agreed predetermined targets at Group, business areas, group functions, divisions as well as business unit and individual level. The effect on the long-term result is to be considered when determining the targets. EIP shall not exceed the fixed salary.

EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2014 is paid no earlier than October 2018.

Participation in the programme was offered to up to 400 managers and key employees, at the Nordea Group, except GEM, who is offered a similar programme named GEM EIP 2014. Since 2013, EIP has been offered instead of Nordea's LTIP and VSP for the invited employees and members of GEM.

Long-Term Incentive Programmes

Nordea offered Long-Term Incentive Programmes (LTIP) years 2007-2012, while the Board of Directors did not propose a LTIP to the AGM 2013 or AGM 2014 and has decided not to propose a LTIP to the AGM 2015.

More information on Nordea's LTIPs is presented in Note G7 and on www.nordea.com, as well as in the Annual Reports of previous years.

Proposed distribution of earnings

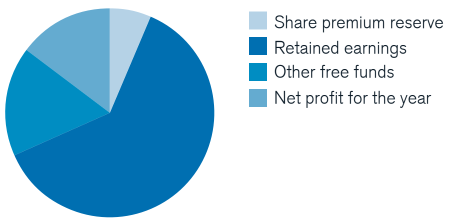
According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

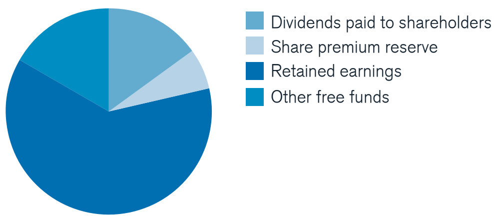
	EUR
Share premium reserve	1,079,925,521
Retained earnings	10,343,770,495
Other free funds	2,762,284,828
Net profit for the year	2,425,228,406
Total	**16,611,209,250**

The Board of Directors proposes that these earnings are distributed as follows:

	EUR
Dividends paid to shareholders, EUR 0.62 per share	2,501,100,294
To be carried forward to	
– share premium reserve	1,079,925,521
– retained earnings	10,267,898,607
– other free funds	2,762,284,828
Total	**16,611,209,250**

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.





Financial statements, Group – Contents

Income statement, Group

EURm	Note	2014	2013
Operating income			
Interest income		9,995	10,604
Interest expense		–4,513	–5,079
Net interest income	G3	**5,482**	**5,525**
Fee and commission income		3,799	3,574
Fee and commission expense		–957	–932
Net fee and commission income	G4	**2,842**	**2,642**
Net result from items at fair value	G5	1,425	1,539
Profit from associated undertakings accounted for under the equity method	G19	18	79
Other operating income	G6	457	106
Total operating income		**10,224**	**9,891**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–3,149	–2,978
Other expenses	G8	–1,635	–1,835
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–582	–227
Total operating expenses		**–5,366**	**–5,040**
Profit before loan losses		**4,858**	**4,851**
Net loan losses	G10	–534	–735
Operating profit		**4,324**	**4,116**
Income tax expense	G11	–953	–1,009
Net profit for the year from continuing operations		**3,371**	**3,107**
Net profit for the year from discontinued operations, after tax	G42	–39	9
Net profit for the year		**3,332**	**3,116**
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,332	3,116
Non-controlling interests		—	—
Total		**3,332**	**3,116**
Basic earnings per share, EUR – Total operations	G12	0.83	0.77
Diluted earnings per share, EUR – Total operations	G12	0.83	0.77
Basic earnings per share, EUR – Continuing operations	G12	0.84	0.77
Diluted earnings per share, EUR – Continuing operations	G12	0.84	0.77

Statement of comprehensive income, Group

EURm	2014	2013
Net profit for the year	**3,332**	**3,116**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–1,039	–999
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	435	464
Tax on valuation gains/losses during the year	–96	–102
Available for sale investments[1]:		
Valuation gains/losses during the year	41	25
Tax on valuation gains/losses during the year	–8	–5
Transferred to the income statement during the year	–1	6
Tax on transfers to the income statement during the year	0	–1
Cash flow hedges:		
Valuation gains/losses during the year	480	497
Tax on valuation gains/losses during the year	–105	–111
Transferred to the income statement during the year	–449	–499
Tax on transfers to the income statement during the year	98	110
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–518	155
Tax on remeasurement of defined benefit plans during the year	120	–39
Other comprehensive income, net of tax[2]	**–1,042**	**–499**
Total comprehensive income	**2,290**	**2,617**
Attributable to:		
Shareholders of Nordea Bank AB (publ)	2,290	2,617
Non-controlling interests	—	—
Total	**2,290**	**2,617**

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.
2) Of which EUR –12m (EUR –22m) related to discontinued operations.

Balance sheet, Group

EURm	Note	31 Dec 2014	31 Dec 2013	1 Jan 2013
Assets				
Cash and balances with central banks		31,067	33,529	36,060
Loans to central banks	G13	6,958	11,769	8,005
Loans to credit institutions	G13	12,217	10,743	10,569
Loans to the public	G13	348,085	342,451	346,251
Interest-bearing securities	G14	87,110	87,314	86,626
Financial instruments pledged as collateral	G15	12,151	9,575	7,970
Shares	G16	39,749	33,271	28,128
Derivatives	G17	105,119	70,992	118,789
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	256	203	–711
Investments in associated undertakings	G19	487	630	585
Intangible assets	G20	2,908	3,246	3,425
Properties and equipment		509	431	474
Investment properties	G22	3,227	3,524	3,408
Deferred tax assets	G11	130	62	266
Current tax assets		132	31	78
Retirement benefit assets	G32	42	321	142
Other assets	G23	17,581	11,064	15,554
Prepaid expenses and accrued income	G24	1,614	2,383	2,559
Assets held for sale	G42	—	8,895	—
Total assets		**669,342**	**630,434**	**668,178**
Liabilities				
Deposits by credit institutions	G25	56,322	59,090	55,426
Deposits and borrowings from the public	G26	197,254	200,743	200,678
Liabilities to policyholders	G27	51,843	47,226	45,320
Debt securities in issue	G28	194,274	185,602	183,908
Derivatives	G17	97,340	65,924	114,203
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	3,418	1,734	1,940
Current tax liabilities		368	303	391
Other liabilities	G29	26,973	24,737	24,773
Accrued expenses and prepaid income	G30	1,943	3,677	3,903
Deferred tax liabilities	G11	983	935	976
Provisions	G31	305	177	389
Retirement benefit liabilities	G32	540	334	469
Subordinated liabilities	G33	7,942	6,545	7,797
Liabilities held for sale	G42	—	4,198	—
Total liabilities		**639,505**	**601,225**	**640,173**
Equity				
Non-controlling interests		2	2	5
Share capital		4,050	4,050	4,050
Share premium reserve		1,080	1,080	1,080
Other reserves		–1,201	–159	340
Retained earnings		25,906	24,236	22,530
Total equity		**29,837**	**29,209**	**28,005**
Total liabilities and equity		**669,342**	**630,434**	**668,178**
Assets pledged as security for own liabilities	G34	163,041	174,418	159,924
Other assets pledged	G35	11,265	7,467	10,344
Contingent liabilities	G36	22,017	20,870	21,157
Credit commitments	G37	74,291	78,332	84,914
Other commitments	G37	1,644	1,267	1,294

Statement of changes in equity, Group

EURm	Attributable to shareholders of Nordea Bank AB (publ)[2]								Non-controlling interests	Total equity
			Other reserves:							
	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total		
Balance at 1 Jan 2014	**4,050**	**1,080**	**–613**	**–18**	**81**	**391**	**24,236**	**29,207**	**2**	**29,209**
Net profit for the year	—	—	—	—	—	—	3,332	3,332	—	3,332
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	—	—	–1,039	—	—	—	—	–1,039	—	–1,039
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	—	—	435	—	—	—	—	435	—	435
Tax on valuation gains/losses during the year	—	—	–96	—	—	—	—	–96	—	–96
Available for sale investments:										
Valuation gains/losses during the year	—	—	—	—	41	—	—	41	—	41
Tax on valuation gains/losses during the year	—	—	—	—	–8	—	—	–8	—	–8
Transferred to the income statement during the year	—	—	—	—	–1	—	—	–1	—	–1
Tax on transfers to the income statement during the year	—	—	—	—	0	—	—	0	—	0
Cash flow hedges:										
Valuation gains/losses during the year	—	—	—	480	—	—	—	480	—	480
Tax on valuation gains/losses during the year	—	—	—	–105	—	—	—	–105	—	–105
Transferred to the income statement during the year	—	—	—	–449	—	—	—	–449	—	–449
Tax on transfers to the income statement during the year	—	—	—	98	—	—	—	98	—	98
Items that may not be reclassified subsequently to the income statement										
Defind benefit plans:										
Remeasurement of defined benefit plans during the year	—	—	—	—	—	–518	—	–518	—	–518
Tax on remeasurement of defined benefit plans during the year	—	—	—	—	—	120	—	120	—	120
Other comprehensive income, net of tax	—	—	–700	24	32	–398	—	–1,042	—	–1,042
Total comprehensive income	—	—	–700	24	32	–398	3,332	2,290	—	2,290
Share-based payments	—	—	—	—	—	—	16	16	—	16
Dividend for 2013	—	—	—	—	—	—	–1,734	–1,734	—	–1,734
Disposal of own shares[3]	—	—	—	—	—	—	56	56	—	56
Balance at 31 Dec 2014	**4,050**	**1,080**	**–1,313**	**6**	**113**	**–7**	**25,906**	**29,835**	**2**	**29,837**

1) Total shares registered were 4,050 million.
2) Restricted capital was EUR 4,050m, unrestricted capital was EUR 25,785m.
3) 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 23.0 million. The total holdings of own shares related to LTIP is 15.9 million.

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)[2]									
			Other reserves:							
Balance at 1 Jan 2013	**4,050**	**1,080**	**24**	**–15**	**56**	**275**	**22,530**	**28,000**	**5**	**28,005**
Net profit for the year	—	—	—	—	—	—	3,116	3,116	—	3,116
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	—	—	–999	—	—	—	—	–999	—	–999
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	—	—	464	—	—	—	—	464	—	464
Tax on valuation gains/losses during the year	—	—	–102	—	—	—	—	–102	—	–102
Available for sale investments:										
Valuation gains/losses during the year	—	—	—	—	25	—	—	25	—	25
Tax on valuation gains/losses during the year	—	—	—	—	–5	—	—	–5	—	–5
Transferred to the income statement during the year	—	—	—	—	6	—	—	6	—	6
Tax on transfers to the income statement during the year	—	—	—	—	–1	—	—	–1	—	–1
Cash flow hedges:										
Valuation gains/losses during the year	—	—	—	497	—	—	—	497	—	497
Tax on valuation gains/losses during the year	—	—	—	–111	—	—	—	–111	—	–111
Transferred to the income statement during the year	—	—	—	–499	—	—	—	–499	—	–499
Tax on transfers to the income statement during the year	—	—	—	110	—	—	—	110	—	110
Items that may not be reclassified subsequently to the income statement										
Defind benefit plans:										
Remeasurement of defined benefit plans during the year	—	—	—	—	—	155	—	155	—	155
Tax on remeasurement of defined benefit plans during the year	—	—	—	—	—	–39	—	–39	—	–39
Other comprehensive income, net of tax	—	—	–637	–3	25	116	—	–499	—	–499
Total comprehensive income	—	—	–637	–3	25	116	3,116	2,617	—	2,617
Share-based payments	—	—	—	—	—	—	17	17	—	17
Dividend for 2012	—	—	—	—	—	—	–1,370	–1,370	—	–1,370
Purchases of own shares[3]	—	—	—	—	—	—	–57	–57	—	–57
Other changes	—	—	—	—	—	—	—	—	–3	–3
Balance at 31 Dec 2013	**4,050**	**1,080**	**–613**	**–18**	**81**	**391**	**24,236**	**29,207**	**2**	**29,209**

1) Total shares registered were 4,050 million.
2) Restricted capital was EUR 4,050m, unrestricted capital was EUR 25,157m.
3) 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 31.8 million. The total holdings of own shares related to LTIP is 18.3 million.

Dividends per share

See Statement of changes in equity for the parent company, page 167.

Cash flow statement, Group – Total operations

EURm	2014	2013
Operating activities		
Operating profit	4,324	4,116
Profit for the year from discontinued operations, after tax	–39	9
Adjustment for items not included in cash flow	8,137	4,492
Income taxes paid	–966	–1,010
Cash flow from operating activities before changes in operating assets and liabilities	**11,456**	**7,607**
Changes in operating assets		
Change in loans to central banks	1,853	–530
Change in loans to credit institutions	–1,050	289
Change in loans to the public	–17,359	–14,511
Change in interest-bearing securities	–3,785	–5,045
Change in financial assets pledged as collateral	–2,609	–1,648
Change in shares	–7,196	–5,918
Change in derivatives, net	155	–2,234
Change in investment properties	169	–78
Change in other assets	–6,843	4,351
Changes in operating liabilities		
Change in deposits by credit institutions	–4,398	6,564
Change in deposits and borrowings from the public	568	9,205
Change in liabilities to policyholders	–765	–57
Change in debt securities in issue	13,040	6,585
Change in other liabilities	5,940	1,735
Cash flow from operating activities	**–10,824**	**6,315**
Investing activities		
Sale of business operations	481	—
Acquisition of associated undertakings	–8	–8
Sale of associated undertakings	480	4
Acquisition of property and equipment	–197	–153
Sale of property and equipment	14	33
Acquisition of intangible assets	–343	–229
Sale of intangible assets	—	1
Net divestments in debt securities, held to maturity	2,822	930
Purchase/sale of other financial fixed assets	5	–6
Cash flow from investing activities	**3,254**	**572**
Financing activities		
Issued subordinated liabilities	1,106	—
Amortised subordinated liabilities	–468	–500
Divestment/repurchase of own shares including change in trading portfolio	56	–57
Dividend paid	–1,734	–1,370
Cash flow from financing activities	**–1,040**	**–1,927**
Cash flow for the year	**–8,610**	**4,960**
Cash and cash equivalents at the beginning of year	45,670	42,808
Translation difference	2,623	–2,098
Cash and cash equivalents at the end of year	39,683	45,670
Change	**–8,610**	**4,960**

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 for total operations. 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 items not included in cash flow includes:

EURm	2014	2013
Depreciation	237	220
Impairment charges	350	17
Loan losses	620	837
Unrealised gains/losses	–457	2,180
Capital gains/losses (net)	–391	–18
Change in accruals and provisions	–788	55
Translation differences	1,070	407
Change in bonus potential to policyholders, Life	918	1,046
Change in technical reserves, Life	3,839	1,543
Change in fair value of hedged items, assets/liabilities (net)	1,749	–1,608
Income tax expense, discontinued operations	2	4
Other	988	–191
Total	**8,137**	**4,492**

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	2014	2013
Interest payments received	10,319	11,031
Interest expenses paid	4,698	5,360

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 2014	31 Dec 2013
Cash and balances with central banks	31,067	33,529
Loans to central banks, payable on demand	6,454	9,313
Loans to credit institutions, payable on demand	2,162	2,290
Assets held for sale	—	538
Total	**39,683**	**45,670**

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. Loans to central banks, payable on demand includes instruments where Nordea has the right to resell immediately.

Discontinued operations

The cash flow statements include cash flow attributable to total operations i.e. both continuing and discontinued operations. The discontinued operations consist of Nordea´s Polish operations, for more information see Note G1 and Note G42. The cash flows related to the discontinued operations, excluding the cash flows at the closing of the transaction, consist of net cash flows from operating activities of EUR –379m (EUR –15m), net cash flow from investing activities of EUR –14m (EUR –11m) and net cash flows from financing activities of EUR 1m (EUR 0m).

Quarterly development, Group

EURm	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2014	2013
Net interest income	1,356	1,396	1,368	1,362	1,390	1,386	1,391	1,358	5,482	5,525
Net fee and commission income	763	667	708	704	703	652	664	623	2,842	2,642
Net result from items at fair value	367	291	356	411	333	346	416	444	1,425	1,539
Profit from associated undertakings accounted for under the equity method	–1	7	3	9	21	14	9	35	18	79
Other operating income	28	393	21	15	22	28	10	46	457	106
Total operating income	**2,513**	**2,754**	**2,456**	**2,501**	**2,469**	**2,426**	**2,490**	**2,506**	**10,224**	**9,891**
General administrative expenses:										
Staff costs	–758	–728	–907	–756	–739	–732	–753	–754	–3,149	–2,978
Other expenses	–416	–378	–415	–426	–480	–441	–453	–461	–1,635	–1,835
Depreciation, amortisation and impairment charges of tangible and intangible assets	–53	–410	–64	–55	–64	–61	–50	–52	–582	–227
Total operating expenses	**–1,227**	**–1,516**	**–1,386**	**–1,237**	**–1,283**	**–1,234**	**–1,256**	**–1,267**	**–5,366**	**–5,040**
Profit before loan losses	**1,286**	**1,238**	**1,070**	**1,264**	**1,186**	**1,192**	**1,234**	**1,239**	**4,858**	**4,851**
Net loan losses	–129	–112	–135	–158	–180	–171	–186	–198	–534	–735
Operating profit	**1,157**	**1,126**	**935**	**1,106**	**1,006**	**1,021**	**1,048**	**1,041**	**4,324**	**4,116**
Income tax expense	–280	–188	–219	–266	–246	–257	–248	–258	–953	–1,009
Net profit for the period from continuing operations	**877**	**938**	**716**	**840**	**760**	**764**	**800**	**783**	**3,371**	**3,107**
Net profit for the period from discontinued operations, after tax	0	0	–30	–9	13	12	–29	13	–39	9
Net profit for the year	**877**	**938**	**686**	**831**	**773**	**776**	**771**	**796**	**3,332**	**3,116**
Diluted earnings per share (DEPS), EUR – Total operations	0.22	0.23	0.17	0.21	0.19	0.19	0.19	0.20	0.83	0.77
DEPS, rolling 12 months up to period end, EUR – Total operations	0.83	0.80	0.76	0.78	0.77	0.79	0.77	0.79	0.83	0.77

5 year overview, Group

Income statement[1]

EURm	2014	2013	2012	2011	2010
Net interest income	5,482	5,525	5,563	5,456	5,159
Net fee and commission income	2,842	2,642	2,468	2,395	2,156
Net result from items at fair value	1,425	1,539	1,774	1,517	1,837
Profit from associated undertakings accounted for under the equity method	18	79	93	42	66
Other operating income	457	106	100	91	116
Total operating income	**10,224**	**9,891**	**9,998**	**9,501**	**9,334**
General administrative expenses:					
Staff costs	–3,149	–2,978	–2,989	–3,113	–2,784
Other expenses	–1,635	–1,835	–1,808	–1,914	–1,862
Depreciation, amortisation and impairment charges of tangible and intangible assets	–582	–227	–267	–192	–170
Total operating expenses	**–5,366**	**–5,040**	**–5,064**	**–5,219**	**–4,816**
Profit before loan losses	**4,858**	**4,851**	**4,934**	**4,282**	**4,518**
Net loan losses	–534	–735	–895	–735	–879
Operating profit	**4,324**	**4,116**	**4,039**	**3,547**	**3,639**
Income tax expense	–953	–1,009	–970	–913	–976
Net profit for the year from continuing operations	**3,371**	**3,107**	**3,069**	**2,634**	**2,663**
Net profit for the year from discontinued operations, after tax	–39	9	57	—	—
Net profit for the year	**3,332**	**3,116**	**3,126**	**2,634**	**2,663**

Balance sheet[2]

EURm	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Cash and balances with central banks	31,067	33,529	36,060	3,765	10,023
Loans to central banks and credit institutions	19,175	22,512	18,574	51,865	15,788
Loans to the public	348,085	342,451	346,251	337,203	314,211
Interest-bearing securities and pledged instruments	99,261	96,889	94,596	92,923	91,743
Derivatives	105,119	70,992	118,789	171,943	96,825
Other assets	66,635	55,166	53,908	43,432	52,249
Assets held for sale	—	8,895	—	—	—
Total assets	**669,342**	**630,434**	**668,178**	**701,131**	**580,839**
Deposits by credit institutions	56,322	59,090	55,426	55,316	40,736
Deposits and borrowings from the public	197,254	200,743	200,678	190,092	176,390
Liabilities to policyholders	51,843	47,226	45,320	40,715	38,766
Debt securities in issue	194,274	185,602	183,908	178,028	151,578
Derivatives	97,340	65,924	114,203	167,390	95,887
Subordinated liabilities	7,942	6,545	7,797	6,503	7,761
Other liabilities	34,530	31,897	32,841	37,442	45,183
Liabilities held for sale	—	4,198	—	—	—
Equity	29,837	29,209	28,005	25,645	24,538
Total liabilities and equity	**669,342**	**630,434**	**668,178**	**701,131**	**580,839**

1) The comparative figures for 2010–2011 have not been restated in relation to discontinued operations (Nordea´s Polish operations), see Note G42 for more information.
2) The comparative figures for 2010 have not been restated in relation to the amendment to IAS 19 and forward starting bonds, see Note G1 in the Annual report 2013 for more information.

Ratios and key figures, Group

	2014	2013	2012[2,3]	2011[2,3]	2010[2,3]
Basic earnings per share, EUR – Total operations	0.83	0.77	0.78	0.65	0.66
Diluted earnings per share, EUR – Total operations	0.83	0.77	0.78	0.65	0.66
Share price[1], EUR	9.68	9.78	7.24	5.98	8.16
Total shareholders' return, %	9.2	44.6	21.0	–24.4	3.7
Proposed/actual dividend per share, EUR	0.62	0.43	0.34	0.26	0.29
Equity per share[1], EUR	7.40	7.27	6.96	6.47	6.07
Potential shares outstanding[1], million	4,050	4,050	4,050	4,047	4,043
Weighted average number of diluted shares, million	4,031	4,020	4,026	4,028	4,022
Return on equity, % – Continuing operations	11.5	11.0	11.6	10.6	11.5
Return on assets, % – Total operations	0.50	0.49	0.47	0.38	0.46
Assets under management[1], EURbn	262.2	232.1	218.3	187.4	191.0
Cost/income ratio[7], % – Continuing operations	49	51	51	55	52
Loan loss ratio, basis points	15	21	26	23	31
Common Equity Tier 1 capital ratio excluding Basel I floor[1,4,5] ,%	15.7	14.9	13.1	11.2	10.3
Tier 1 capital ratio, excluding Basel I floor[1,4,5], %	17.6	15.7	14.3	12.2	11.4
Total capital ratio, excluding Basel I floor[1,4,5], %	20.7	18.1	16.2	13.4	13.4
Core tier 1 capital[1,4,5], EURm	22,821	23,112	21,961	20,677	19,103
Tier 1 capital[1,4,5], EURm	25,558	24,444	23,953	22,641	21,049
Risk exposure amount, excluding Basel I floor[1,6], EURbn	145	155	168	185	185
Number of employees (full-time equivalents)[1] – Continuing operations	29,397	29,429	29,491	33,068	33,809
Risk-adjusted profit[6], EURm – Continuing operations	3,489	3,352	3,313	2,714	2,622
Economic profit[6], EURm – Continuing operations	1,071	912	889	1,145	936
Economic capital[1,6], EURbn – Total operations	23.9	24.4	23.8	17.7	17.5
Economic capital[1,6], EURbn – Continuing operations	23.9	23.5	22.8	—	—
RAROCAR[6], % – Continuing operations	14.4	13.7	13.9	15.5	15.0
MCEV, EURm	4,758	4,700	3,762	2,714	3,655

1) End of the year.
2) The comparative figures for 2010–2011 have not been restated due to discontinued operations (Nordea´s Polish operations), see Note G42 for more information.
3) The comparative figures for 2010 have not been restated due to the amendment to IAS 19 and forward starting bonds, see Note G1 in the Annual report 2013 for more information.
4) Including result of the year.
5) 2013 ratios are reported under the Basel II regulation framework and 2014 ratios are reported using the Basel III (CRR/CRDIV) framework.
6) Capital deductions and physical assest (PAS) are included in 2013 and 2014 ratios.
7) Excluding non-recurring items in 2014.

Business definitions

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.

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 on 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 closing 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).

Own funds Own funds include 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.

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

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.

Return on assets Net profit for the year as a percentage of total assets at end of the year.

Risk-adjusted profit Total income minus total operating expenses, minus Expected losses and standard tax (24 % 2014). In addition, Risk-adjusted profit excludes major non-recurring items.

Risk exposure amount 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. Shortfall is deducted with 100% in CET1 in 2014, but 50% in 2013, – 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 Common equity Tier 1 capital constitutes the Tier 1 capital excluding hybrid capital loans.

Tier 1 capital ratio Tier 1 capital as a percentage of risk exposure amount. The Common equity Tier 1 capital ratio is calculated as Common equity Tier 1 capital as a percentage of risk exposure amount.

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 Own funds as a percentage of risk exposure amount.

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

Content for Note G1

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) 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) and the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25, with amendments in FFFS 2009:11, 2011:54, 2013:2, 2013:24 and 2014:18) 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 5 February 2015 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 19 March 2015.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2013 Annual Report. The new accounting requirements implemented during 2014 and their effects on Nordea's financial statements are described below.

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in Other Entities", and IAS 28 "Investments in Associates and Joint Ventures"

The new standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" as well as amendments to IAS 28 "Investments in Associates and Joint Ventures" were implemented 1 January 2014 but has not had any significant impact on the financial statements of Nordea.

IFRS 10 clarifies which entities should be included in the consolidated accounts and how to perform the consolidation. IFRS 10 did not change the scope of consolidation for Nordea in 2014. IFRS 11 describes the accounting for investments in entities in which two or more investors have joint control, typically a 50/50 holding. Nordea has currently no such interests and IFRS 11 has not had any impact on the financial statements in 2014. IFRS 12 has added disclosures, mainly regarding unconsolidated structured entities. These disclosures can be found in note G48 "Interests in structured entities". The standard also includes guidance on disclosures for subsidiaries and associates, but these disclosure requirements are similar to the previous disclosure requirements in IAS 27 and IAS 28.

The accounting requirements in IAS 28 are unchanged apart from that the disclosure requirements have been moved to IFRS 12.

FFFS 2008:25

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2013:24 and FFFS 2014:18. Those amendments were implemented by Nordea 1 January 2014 except for the amendments in FFFS 2014:18 that were implemented in the third quarter 2014. The amendments require additional disclosures related to capital adequacy and specific country by country information which are presented in Note G38 "Capital adequacy" and Note G49 "Country by country reporting" respectively. Other amendments in FFFS 2013:24 and FFFS 2014:18 have not had any significant impact on Nordea's financial statements.

Discontinued operations and disposal groups held for sale

On 1 April 2014 Nordea completed its sale of the Polish bank, life and finance businesses, including Nordea Bank Polska S.A., Nordea Finance Polska S.A. and Nordea Polska Towarzystwo Ubezpieczen na Zycie S.A., to PKO Bank Polski. These operations are reported as discontinued operations for the period until deconsolidation on 1 April. Discontinued operations also include the IT operations in Poland that continue to serve the sold business. Details of discontinued operations are found in Note G42 "Discontinued operations and disposal groups held for sale".

3. Changes in IFRSs not yet applied by Nordea

IFRS 9 "Financial instruments"

IASB has during 2014 completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements for these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted. The EU commission has not yet endorsed IFRS 9 but is expected to do so during 2015. Nordea does not currently intend to early adopt the standard.

The changes in classification and measurement are not expected to have a significant impact on Nordea's income

G1 Accounting policies

statement or balance sheet as the mixed measurement model will be maintained. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected in the period of initial application, but this is naturally dependent on the financial instruments on Nordea's balance sheet at transition. Nordea has not yet finalised the impact assessment.

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. In general, it is expected that the new requirements will increase loan loss provisions, decrease equity and have a negative impact on capital adequacy, but no impact on large exposures, in the period of initial application. Nordea has not yet finalised the impact assessment.

The main change to the general hedging requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application. Nordea has not yet finalised the impact assessment.

IFRS 15 "Revenue from Contracts with Customers"
The IASB has published the new standard, IFRS 15 "Revenue from Contracts with Customers". The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The new standard is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The EU-commission is expected to endorse the standard during the second quarter 2015. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application.

Amendments to IFRS 11 "Accounting for Acquisition of Interest in Joint Operations"
The IASB has issued amendments to IFRS 11 "Joint Arrangements", which add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after I January 2016. Earlier application is permitted. The EU commission is expected to endorse the amendment during the first quarter 2015. Nordea does not currently intend to early adopt the amendments. As Nordea does not have any joint venture the assessment is that the amendments will not have any effects on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contribution of assets between an investor and its associate or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The amendments should be applied prospectively to transactions that occur in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The EU commission is expected to endorse the amendments during the fourth quarter 2015. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any effect on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRIC 21 "Levies"
The IASB has published IFRIC 21 "Levies". The interpretation is effective for annual periods beginning on or after 1 January 2014. The EU commission endorsed this interpretation during 2014. In contrast to IFRS, the EU commission requires the standard to be applied for annual periods beginning on or after 17 June 2014. Nordea will apply the interpretation as from 1 January 2015. IFRIC 21 is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". IFRIC 21 clarifies that if a levy is triggered by operating as a bank at the end the reporting period, the liability for the levy is not recognised prior to that date. Nordea's assessment is that the new interpretation will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application.

Other changes in IFRS
The IASB has published the following new or amended standards that are assessed to have no impact on Nordea's financial statement, capital adequacy or large exposures in the period of initial application:

- IFRS 14 "Regulatory Deferral Accounts"
- Amendments to IAS 16 and IAS 38: "Clarification of Acceptable
- Methods of Depreciation and Amortisation"
- Amendments to IAS 19: "Defined Benefit Plans: Employee Contributions"
- "Annual Improvements to IFRSs, 2010–2012 Cycle"
- "Annual Improvements to IFRSs, 2011–2013 Cycle"
- "Annual Improvements to IFRSs, 2012–2014 Cycle"

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

- the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and

G1 Accounting policies

- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  – goodwill and
  – loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the classification of leases
- the classification of additional tier 1 instruments
- assessing control for consolidation purposes
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments
Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G40 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters that are observable.

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

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

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

The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 271,194m (EUR 217,626m) and EUR 194,243m (EUR 153,315m) respectively at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G40 "Assets and liabilities at fair value".

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

Impairment testing of goodwill
Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 2,234m (EUR 2,421m) at the end of the year.

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

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

For information on the sensitivity to changes in relevant parameters, see Note G20 "Intangible assets".

Impairment testing of loans to the public/credit institutions
Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea's total lending before impairment allowances was EUR 370,009m (EUR 367,782m) at the end of the year. For more information, see Note G13 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

G1 Accounting policies

Effectiveness testing of cash flow hedges
Nordea's accounting policies for cash flow hedges are described in section 10 "Hedge accounting".

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

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

Actuarial calculations of pension liabilities and plan assets related to employees
Nordea's accounting policy for post-employment benefits is described in section 22 "Employee benefits".

The defined benefit obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,727m (EUR 3,130m) at the end of the year.

Actuarial calculations of insurance contracts
Nordea's accounting policy for insurance contracts is described in section 19 "Liabilities to policyholders".

A valuation of insurance 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. Important actuarial assumptions are those on mortality and disability, 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.

The insurance liability was EUR 35,103m (EUR 33,489m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties
Nordea's accounting policies for investment properties are described in section 18 "Investment properties".

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

The carrying amounts of investment properties were EUR 3,227m (EUR 3,524m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases
Nordea's accounting policies for leases are described in section 15 "Leasing".

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

The central district properties in Finland, 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 assets by the end of the lease term, nor any economic benefit from appreciation in value of the leased properties. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement. The carrying amount of these properties at the time of disposal was EUR 1.5bn.

More information on lease contracts can be found in Note G21 "Leasing".

Classification of additional tier 1 instruments
Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. These instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instrument as financial liabilities.

Assessing control for consolidation purposes
One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea's critical judgement is that Nordea is normally

G1 **Accounting policies**

exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity.

Another judgement relating to control is whether Nordea acts as an agent or as a principal. For unit linked and other contracts where the policyholder/depositor decides both the amount and which assets to invest in, Nordea is considered to act as an agent and thus does not have control.

Translation of assets and liabilities denominated in foreign currencies

Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 9 "Translation of assets and liabilities denominated in foreign currencies".

When reporting consolidated financial statements, the parent company Nordea Bank AB (publ) has been assessed to have two functional currencies, SEK and EUR, based on the different activities. The functional currency of the normal banking operations is SEK and the functional currency of the entity holding equity, shares in group undertakings and the funding of those shares is EUR. It is Nordea's assessment that one legal entity can consist of different entities with different functional currencies.

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 20 "Taxes" and Note G11 "Taxes".

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

The carrying amount of deferred tax assets was EUR 130m (EUR 62m) at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G31 "Provisions" and Note G36 "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 exists when Nordea is exposed to variability in returns from its investments in another entity and has the ability to affect those returns through its power over the other entity. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights. For entities where voting rights does not decide control, see section "Structured entities" below.

All group undertakings are consolidated using the acquisition 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 acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

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

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

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

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

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

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

In the consolidation process the reporting from the group undertakings is adjusted to ensure consistency with the IFRS principles applied by Nordea.

Note P21 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 per cent and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control over those policies. Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

Profits from companies accounted for under the equity method are reported post-taxes in the income statement. Consequently, the tax expense related to these profits is not included in the income tax expense for Nordea.

Nordea does generally not have any sales or contribution of assets to or from associated undertakings. Other transactions between Nordea and its associates are not eliminated.

G1 Accounting policies

Note G19 "Investments in associated undertakings" lists the major associated undertakings in the Nordea Group.

Structured entities
A structured entity is an entity created to accomplish a narrow and well defined objective where voting rights are not the dominant factor in determining control. Often legal arrangements impose strict limits on the decision making powers of the management over the on-going activities of a structured entity. The same consolidation requirements apply to these entities, but as voting rights do not decide whether control exists, other factors are used to determine control.

Power can exist due to agreements or other types of influence over a structured entity. Nordea normally has power over entities sponsored or established by Nordea. Nordea has created a number of structured entities to allow clients to invest in assets invested in by the structured entity. Some structured entities invest in tradable financial instruments, such as shares and bonds (mutual funds). Structured entities can also invest in structured credit products or acquire assets from customers of Nordea, although only one such structured entity currently exists. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions and thus has power over these entities.

Typically, Nordea will receive service and commission fees in connection with the creation of the structured entity, or because it acts as investment manager, custodian or in some other function. Such income is normally not significant enough to expose Nordea to variability in returns and will thus not trigger consolidation. In some structured entities Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these structured entities Nordea is exposed to variability in returns and as the power over these entities affects the return, these structured entities are consolidated. Nordea normally considers a share of more than 30% of the return produced by a structured entity to give rise to variability and thus give control. Variability is measured as the sum of fees received and revaluation of assets held. For unit linked and other contracts where the policyholder/depositor decide both the amount and which assets to invest in, Nordea is considered to act as an agent and does thus not have control.

Further information about consolidated and unconsolidated structured entities is disclosed in note G48 "Interests in structured entities".

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 statement and statement of comprehensive income are translated at the average exchange rate for the year. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

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

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

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

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

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

Net fee and commission income
Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan, as well as other fees received as payments for certain acts, are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

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

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

Net result from items at fair value
Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the item "Net result from items at fair value". Realised and unrealised gains and losses derive from:

- Shares/participations and other share-related instruments

G1 Accounting policies

- Interest-bearing securities and other interest-related instruments
- Other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses
- Investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

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

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. However, the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". 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 undertakings. Nordea's share of items accounted for in other comprehensive income in the associated undertakings 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 undertaking'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 undertaking. Subsequently the investment in the associated undertaking increases/decreases with Nordea's share of the post-acquisition change in net assets in the associated undertaking and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

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

Other operating income

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

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses" together with losses from financial guarantees (including state guarantees in Denmark). Also the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". 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 but excluding loans held at fair value as described above, as well as impairment on financial assets classified into the category Available for sale are reported under "Net result from items at fair value".

Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the

G1 Accounting policies

categories Loans and receivables and Held to maturity are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

7. 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 insurance" 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 insurance" and "Insurance risk expense, Life insurance" 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 insurance" 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 investment 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 insurance" 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 insurance" 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 on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (reclassified to the items "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea, i.e. on settlement date.

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet, but

G1 Accounting policies

retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item "Financial instruments pledged as collateral" on the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. securities lending agreements and repurchase agreements.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" on the balance sheet on trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 13 "Financial instruments", as well as Note G43 "Transferred assets and obtained collaterals".

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

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 be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations.

There are three forms of hedge accounting:

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

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

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

Hedged items

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

Hedging instruments

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

Cash flow hedge accounting

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

G1 Accounting policies

from items at fair value" in the income statement.

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

Hedged items

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

Hedging instruments

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

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

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

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

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

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

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

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- 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. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

G1 Accounting policies

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

- Loans to the public (mortgage loans in 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)

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 G40 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

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

The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by a Model Risk Management Committee and all models are reviewed on a regular basis.

For further information, see Note G40 "Assets and liabilities at fair value".

12. Cash and balances with central banks

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 institutions is established
- The balance is readily available at any time

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 on the balance sheet and how changes in its value are recognised. In Note G39 "Classification of financial instruments" the classification of the financial instruments on 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 and lending in reverse repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are 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. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. If the loans and bonds were measured at amortised cost such buy-backs of bonds would give rise to an accounting mismatch as any gains or losses would have to be recognised immediately in the income statement. If such bonds are subsequently sold in the market any premium or discount would be amortised over the expected

G1 Accounting policies

maturity, which would also create an accounting mismatch. To avoid such an accounting mismatch Nordea measures both the loans and bonds at fair value through profit or loss.

Interest-bearing securities, shares and investment contracts (defined in section 19 "Liabilities to policyholders") in Nordea Life & Pensions are generally also classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. This applies also to assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), which are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets held under so called "pooled schemes", which is a product similar to unit-linked insurance, are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits that are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss.

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 its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/Financial liabilities at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 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 on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred the Held to maturity category is tainted, except 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-bearings securities classified into the category Held to maturity.

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

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

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

Other financial liabilities
Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest on Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Hybrid (combined) financial instruments
Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded

G1 Accounting policies

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

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

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

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

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms. Derivative assets and liabilities against central counterparty clearing houses are, as mentioned above, generally set off on the balance sheet, but net cash collateral received or paid is generally accounted for separately as cash collateral paid (asset) or received (liability), which is also the case for cash collateral paid or received in bilateral OTC derivative transactions. Cash collateral paid or received in bilateral OTC derivative transactions are consequently not offset against the fair value of the derivatives.

Issued debt and equity instruments
A financial instrument issued by Nordea is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

14. Loans to the public/credit institutions
Financial instruments classified as "Loans to the public/credit institutions" (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 8 "Recognition and derecognition of financial instruments on the balance sheet" as well as Note G39 "Classification of financial instruments").

Nordea monitors loans as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and

G1 Accounting policies

receivables and Held to maturity are recognised as "Impairment of securities held as non-current financial assets" in the income statement.

Impairment test of individually assessed loans
Nordea tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

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

These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

The collective assessment is performed through a netting principle, i.e. when rated engagements are up-rated due to estimated increases in cash flows, this improvement will be netted against losses on loans that are downrated due to estimated decreases in cash-flows. Netting is only performed within groups with similar risk characteristics where Nordea assesses that the customers' future cash flows are insufficient to serve the loans in full.

Impairment loss
If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with the original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

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

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

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 6 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate
The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans
In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as loan losses unless Nordea retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of loan losses.

Assets taken over for protection of claims
In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For

G1 Accounting policies

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 on the balance sheet are reported in accordance with the nature of the assets, in general as properties 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 on 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 normally range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

The central district properties in Finland, 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 properties. 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 undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertak-

G1 Accounting policies

ings. The policies covering impairment testing of associated undertakings is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licenses not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Customer related intangible assets

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

Impairment

Goodwill is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G20 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment

Properties and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties 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.

Properties 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 properties

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 properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

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

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

G1 Accounting policies

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 adjusted for 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-contracts (Collective bonus potential) are classified as liabilities on 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 on 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 on 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 substan-

G1 Accounting policies

tively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

21. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB (publ) 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 pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit liabilities"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit liabilities ".

Most pensions in Denmark, but also plans in other countries, are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees. Nordea also contributes to public pension systems.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method 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 G32 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds

G1 Accounting policies

from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds.

Termination benefits

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

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

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

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

Share premium reserve

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in 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. These reserves include fair value reserves for cash flow hedges, financial assets classified into the category Available for sale and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings

Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, Nordea's share of the earnings in associated undertakings, 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" on 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 financial assets or financial liabilities.

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 as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

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

25. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in 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

G1 Accounting policies

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

For more information see Note 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 have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

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 G19 "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 G46 "Related-party transactions".

27. Exchange rates

	Jan–Dec 2014	Jan–Dec 2013
EUR 1 = SEK		
Income statement (average)	9.1012	8.6524
Balance sheet (at end of period)	9.3930	8.8591
EUR 1 = DKK		
Income statement (average)	7.4548	7.4579
Balance sheet (at end of period)	7.4453	7.4593
EUR 1 = NOK		
Income statement (average)	8.3597	7.8091
Balance sheet (at end of period)	9.0420	8.3630
EUR 1 = PLN		
Income statement (average)	4.1859	4.1969
Balance sheet (at end of period)	4.2732	4.1543
EUR 1 = RUB		
Income statement (average)	50.9996	42.3269
Balance sheet (at end of period)	72.3370	45.3246

G2 Segment reporting

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 section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

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

There have not been any changes to the basis of segmentation compared with the Annual Report 2013.

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 the Baltic countries (Retail Banking Baltic). Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore & Oil Services 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. Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions 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.

Income statement 2014, EURm	Retail Banking	Wholesale Banking	Wealth Management	Group Corporate Centre	Other Operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	3,839	1,153	142	279	–15	5,398	84	5,482
Net fee and commission income	1,580	632	1,170	–13	–1	3,368	–526	2,842
Net result from items at fair value	385	695	369	91	6	1,546	–121	1,425
Profit from associated undertakings accounted for under the equity method	10	—	—	0	0	10	8	18
Other income	26	4	15	12	0	57	400	457
Total operating income	**5,840**	**2,484**	**1,696**	**369**	**–10**	**10,379**	**–155**	**10,224**
– of which internal transactions[1]	–1,547	–221	16	1,694	58	0	—	—
Staff costs	–1,355	–780	–494	–276	–7	–2,912	–237	–3,149
Other expenses	–1,569	–51	–286	46	–2	–1,862	227	–1,635
Depreciation, amortisation and impairment charges of tangible and intangible assets	–100	–30	–11	–49	—	–190	–392	–582
Total operating expenses	**–3,024**	**–861**	**–791**	**–279**	**–9**	**–4,964**	**–402**	**–5,366**
Profit before loan losses	**2,816**	**1,623**	**905**	**90**	**–19**	**5,415**	**–557**	**4,858**
Net loan losses	–433	–100	–3	0	0	–536	2	–534
Operating profit	**2,383**	**1,523**	**902**	**90**	**–19**	**4,879**	**–555**	**4,324**
Income tax expense	–606	–365	–199	–19	–17	–1,206	253	–953
Net profit for the year from continuing operations	**1,777**	**1,158**	**703**	**71**	**–36**	**3,673**	**–302**	**3,371**
Balance sheet 31 Dec 2014, EURbn								
Loans to the public[2]	224	57	9	—	—	290	58	348
Deposits and borrowings from the public[2]	110	41	11	—	—	162	35	197

G2 Segment reporting, cont.

Income statement, 2013 EURm	Retail Banking	Wholesale Banking	Wealth Management	Group Corporate Centre	Other Operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	3,733	1,078	121	319	40	5,291	234	5,525
Net fee and commission income	1,439	551	1,077	–9	–1	3,057	–415	2,642
Net result from items at fair value	371	918	294	82	–6	1,659	–120	1,539
Profit from associated undertakings accounted for under the equity method	12	—	—	0	0	12	67	79
Other income	63	3	22	8	–1	95	11	106
Total operating income	**5,618**	**2,550**	**1,514**	**400**	**32**	**10,114**	**–223**	**9,891**
– of which internal transactions[1]	–1,622	–283	22	1,816	67	0	—	—
Staff costs	–1,336	–765	–474	–231	–7	–2,813	–165	–2,978
Other expenses	–1,620	–76	–290	10	–2	–1,978	143	–1,835
Depreciation, amortisation and impairment charges of tangible and intangible assets	–101	–35	–19	–41	0	–196	–31	–227
Total operating expenses	**–3,057**	**–876**	**–783**	**–262**	**–9**	**–4,987**	**–53**	**–5,040**
Profit before loan losses	**2,561**	**1,674**	**731**	**138**	**23**	**5,127**	**–276**	**4,851**
Net loan losses	–493	–242	–3	0	0	–738	3	–735
Operating profit	**2,068**	**1,432**	**728**	**138**	**23**	**4,389**	**–273**	**4,116**
Income tax expense	–544	–374	–160	–31	–13	–1,122	113	–1,009
Net profit for the year from continuing operations	**1,524**	**1,058**	**568**	**107**	**10**	**3,267**	**–160**	**3,107**
Balance sheet 31 Dec 2013, EURbn								
Loans to the public[2]	217	57	9	—	—	283	59	342
Deposits and borrowings from the public[2]	107	41	11	—	—	159	42	201

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined inter-segment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.
2) The volumes are only disclosed separate for operating segments if separately reported to the Chief Operating Decision Maker.

Break-down of Retail Banking

	Retail Banking Nordic[1]		Retail Banking Baltic[2]		Retail Banking Other[3]		Total Retail Banking	
Income statement, EURm	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income	3,789	3,693	143	128	–93	–88	3,839	3,733
Net fee and commission income	1,581	1,419	39	40	–40	–20	1,580	1,439
Net result from items at fair value	398	378	–10	–3	–3	–4	385	371
Profit from associated undertakings accounted for under the equity method	6	9	0	0	4	3	10	12
Other income	1	33	3	1	22	29	26	63
Total operating income	**5,775**	**5,532**	**175**	**166**	**–110**	**–80**	**5,840**	**5,618**
– of which internal transactions	–1,335	–1,448	–41	–46	–171	–128	–1,547	–1,622
Staff costs	–961	–956	–23	–24	–371	–356	–1,355	–1,336
Other expenses	–1,885	–1,922	–62	–61	378	363	–1,569	–1,620
Depreciation, amortisation and impairment charges of tangible and intangible assets	–45	–45	–1	–1	–54	–55	–100	–101
Total operating expenses	**–2,891**	**–2,923**	**–86**	**–86**	**–47**	**–48**	**–3,024**	**–3,057**
Profit before loan losses	**2,884**	**2,609**	**89**	**80**	**–157**	**–128**	**2,816**	**2,561**
Net loan losses	–358	–443	–63	–40	–12	–10	–433	–493
Operating profit	**2,526**	**2,166**	**26**	**40**	**–169**	**–138**	**2,383**	**2,068**
Income tax expense	–626	–561	–17	–14	37	31	–606	–544
Net profit for the year from continuing operations	**1,900**	**1,605**	**9**	**26**	**–132**	**–107**	**1,777**	**1,524**
Balance sheet, EURbn								
Loans to the public	216	209	8	8	—	—	224	217
Deposits and borrowings from the public	106	104	4	3	—	—	110	107

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

G2 Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2014	Corporate & Institutional Banking 2013	Shipping, Offshore & Oil Services 2014	Shipping, Offshore & Oil Services 2013	Nordea Bank Russia 2014	Nordea Bank Russia 2013	Capital Markets unallocated 2014	Capital Markets unallocated 2013	Wholesale Banking Other[1] 2014	Wholesale Banking Other[1] 2013	Total Wholesale Banking 2014	Total Wholesale Banking 2013
Net interest income	688	673	263	257	280	221	–1	4	–77	–77	1,153	1,078
Net fee and commission income	572	524	68	51	13	12	–72	–88	51	52	632	551
Net result from items at fair value	265	302	34	31	9	11	350	524	37	50	695	918
Other income	0	0	0	0	1	0	3	2	0	1	4	3
Total operating income	**1,525**	**1,499**	**365**	**339**	**303**	**244**	**280**	**442**	**11**	**26**	**2,484**	**2,550**
– of which internal transactions	–146	–215	–62	–77	–32	–42	100	134	–81	–83	–221	–283
Staff costs	–46	–37	–20	–24	–68	–64	–452	–452	–194	–188	–780	–765
Other expenses	–370	–379	–42	–38	–32	–29	264	257	129	113	–51	–76
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–8	–6	–15	–18	–7	–11	–30	–35
Total operating expenses	**–416**	**–416**	**–62**	**–62**	**–108**	**–99**	**–203**	**–213**	**–72**	**–86**	**–861**	**–876**
Profit before loan losses	**1,109**	**1,083**	**303**	**277**	**195**	**145**	**77**	**229**	**–61**	**–60**	**1,623**	**1,674**
Net loan losses	–122	–165	37	–92	–16	7	0	0	1	8	–100	–242
Operating profit	**987**	**918**	**340**	**185**	**179**	**152**	**77**	**229**	**–60**	**–52**	**1,523**	**1,432**
Income tax expense	–249	–242	–67	–59	–46	–33	–18	–55	15	15	–365	–374
Net profit for the year from continuing operations	**738**	**676**	**273**	**126**	**133**	**119**	**59**	**174**	**–45**	**–37**	**1,158**	**1,058**
Balance sheet, EURbn												
Loans to the public	39	39	11	12	7	6	—	—	—	—	57	57
Deposits and borrowings from the public	36	36	4	4	1	1	—	—	—	—	41	41

1) Wholesale Banking Other includes the area International Units and the support areas Transaction Products, Segment CIB and IT.

Break-down of Wealth Management

Income statement, EURm	Private Banking 2014	Private Banking 2013	Asset Management 2014	Asset Management 2013	Life & Pensions unallocated 2014	Life & Pensions unallocated 2013	Wealth Management Other[1] 2014	Wealth Management Other[1] 2013	Total Wealth Management 2014	Total Wealth Management 2013
Net interest income	141	120	1	1	0	0	0	0	142	121
Net fee and commission income	575	524	591	494	275	262	–271	–203	1,170	1,077
Net result from items at fair value	93	80	5	0	271	215	0	–1	369	294
Other income	5	2	2	8	8	9	0	3	15	22
Total operating income	**814**	**726**	**599**	**503**	**554**	**486**	**–271**	**–201**	**1,696**	**1,514**
– of which internal transactions	12	15	0	0	0	1	4	6	16	22
Staff costs	–173	–168	–121	–113	–124	–126	–76	–67	–494	–474
Other expenses	–231	–233	–104	–107	–78	–73	127	123	–286	–290
Depreciation, amortisation and impairment	–4	–6	–1	0	–4	–10	–2	–3	–11	–19
Total operating expenses	**–408**	**–407**	**–226**	**–220**	**–206**	**–209**	**49**	**53**	**–791**	**–783**
Profit before loan losses	**406**	**319**	**373**	**283**	**348**	**277**	**–222**	**–148**	**905**	**731**
Net loan losses	–3	–3	0	0	0	0	0	0	–3	–3
Operating profit	**403**	**316**	**373**	**283**	**348**	**277**	**–222**	**–148**	**902**	**728**
Income tax expense	–89	–70	–82	–62	–77	–61	49	33	–199	–160
Net profit for the year from continuing operations	**314**	**246**	**291**	**221**	**271**	**216**	**–173**	**–115**	**703**	**568**
Balance sheet, EURbn										
Loans to the public	9	9	—	—	—	—	—	—	9	9
Deposits and borrowings from the public	11	11	—	—	—	—	—	—	11	11

1) Wealth Management Other includes the area Savings and support areas, such as IT.

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	
	2014	2013	2014	2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Total Operating segments	10,379	10,114	4,879	4,389	290	283	162	159
Group functions[1]	–2	3	–129	–116	—	—	—	—
Unallocated items[2]	443	224	–81	47	69	53	39	39
Eliminations	–31	–186	—	—	—	—	—	—
Differences in accounting policies[3]	–565	–264	–345	–204	–11	6	–4	3
Total	**10,224**	**9,891**	**4,324**	**4,116**	**348**	**342**	**197**	**201**

1) Consists of Group Risk Management, Group Internal Audit, Group Identity & Communications, Group Human Resources, Board of Directors and Group Executive Management.
2) Including non-recurring items 2014. Total operating income EUR 378m and Operating profit EUR –157m.
3) Impact from plan rates used in the segment reporting and from that comparative figures for lending/deposits in Banking Poland are restated in operating segments but not in financial statements.

Total operating income split on product groups, EURm

	2014	2013
Banking products	6,188	6,131
Capital Markets products	1,968	2,193
Savings products & Asset management	1,038	875
Life & Pensions	553	476
Other	477	216
Total	**10,224**	**9,891**

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consist of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invest in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2014	2013	31 Dec 2014	31 Dec 2013
Sweden	2,421	2,125	162	147
Finland	1,831	1,604	83	72
Norway	1,772	1,993	85	82
Denmark	3,183	3,218	277	242
Baltic countries	203	178	22	10
Russia	203	193	6	5
Other	611	580	34	72
Total	**10,224**	**9,891**	**669**	**630**

Nordea's main geographical markets comprise the Nordic countries, the Baltic countries and Russia. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3 Net interest income

EURm	2014	2013
Interest income		
Loans to credit institutions	52	60
Loans to the public	8,555	9,102
Interest-bearing securities	728	751
Other interest income	660	691
Interest income[1]	**9,995**	**10,604**

1) Of which contingent leasing income amounts to EUR 116m (EUR 114m). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

G3 Net interest income, cont.

EURm	2014	2013
Interest expense		
Deposits by credit institutions	–103	–122
Deposits and borrowings from the public	–1,145	–1,439
Debt securities in issue	–3,545	–3,705
Subordinated liabilities	–331	–340
Other interest expenses[1]	611	527
Interest expense	**–4,513**	**–5,079**
Net interest income	**5,482**	**5,525**

1) The net interest income from derivatives, measured at fair value, 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 or loss amounts to EUR 7,725m (EUR 8,347m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –3,925m (EUR –4,376m).

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

G4 Net fee and commission income

EURm	2014	2013
Asset management commissions	1,189	1,000
Life insurance	367	350
Brokerage, securities issues and corporate finance	281	296
Custody and issuers services	128	124
Deposits	39	50
Total savings and investments	**2,004**	**1,820**
Payments	406	417
Cards	529	508
Total payments and cards	**935**	**925**
Lending	541	510
Guarantees and documentary payment	181	187
Total lending related commissions	**722**	**697**
Other commission income	138	132
Fee and commission income	**3,799**	**3,574**
Savings and investments	–363	–322
Payments	–85	–90
Cards	–253	–259
State guarantee fees	–132	–132
Other commission expenses	–124	–129
Fee and commission expense	**–957**	**–932**
Net fee and commission income	**2,842**	**2,642**

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 557m (EUR 543m).

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 amounts to EUR 1,837m (EUR 1,646m). The corresponding amounts for fee expenses is EUR –96m (EUR –72m).

G5 Net result from items at fair value

EURm	2014	2013
Shares/participations and other share-related instruments	2,829	2,630
Interest-bearing securities and other interest-related instruments	3,119	238
Other financial instruments	409	90
Foreign exchange gains/losses	–564	876
Investment properties	246	145
Change in technical provisions, Life insurance[1]	–3,835	–1,519
Change in collective bonus potential, Life insurance	–871	–978
Insurance risk income, Life insurance	212	202
Insurance risk expense, Life insurance	–120	–145
Total	**1,425**	**1,539**

Net result from categories of financial instruments[2]

EURm	2014	2013
Available for sale assets, realised	1	–6
Financial instruments designated at fair value through profit or loss	184	40
Financial instruments held for trading[3]	1,522	318
Financial instruments under fair value hedge accounting	33	73
– of which net gains/losses on hedging instruments	1,248	–1,404
– of which net gains/losses on hedged items	–1,215	1,477
Financial assets measured at amortised cost[4]	49	13
Financial liabilities measured at amortised cost	–28	–26
Foreign exchange gains/losses excluding currency hedges	–588	914
Other	–20	–5
Financial risk income, net Life insurance[1]	180	161
Insurance risk income, net Life insurance	92	57
Total	**1,425**	**1,539**

1) Premium income amounts to EUR 2,270m (EUR 2,278m).
2) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, i.e. before eliminations of intra-group transactions.
3) Of which amortised deferred day one profits amounts to EUR 11m (EUR 12m).
4) Of which EUR 49m (EUR 13m) related to instruments classified into the category "Loans and receivables" and EUR 0m (EUR 0m) related to instruments classified into the category "Held to maturity".

G6 Other operating income

EURm	2014	2013
Divestment of shares[1]	378	1
Income from real estate	9	5
Sale of tangible assets	12	18
Other	58	82
Total	**457**	**106**

1) Gain from divestment of Nets Holding A/S amounts to EUR 378m.

G7 Staff costs

EURm	2014	2013
Salaries and remuneration (specification below)[1]	–2,366	–2,287
Pension costs (specification below)	–289	–222
Social security contributions	–427	–387
Other staff costs	–67	–82
Total[2]	**–3,149**	**–2,978**
Salaries and remuneration		
To executives[3]		
– Fixed compensation and benefits	–16	–18
– Performance-related compensation	–12	–12
– Allocation to profit-sharing	0	0
Total	**–28**	**–30**
To other employees	–2,338	–2,257
Total	**–2,366**	**–2,287**

1) Of which allocation to profit-sharing 2014 EUR 80m (EUR 45m) consisting of a new allocation of EUR 76m (EUR 46m) and an adjustment related to prior years of EUR 4m (EUR –1m).
2) Of which EUR 103m in salaries and EUR 44m in pension costs, including social security contributions, regards termination benefits in connection to the cost efficiency programme launched in the second quarter.
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 group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating group undertakings, are included. Executives amount to 182 (181) individuals.

EURm	2014	2013
Pension costs[1]		
Defined benefits plans (Note G32)[2]	–80	–50
Defined contribution plans	–209	–172
Total	**–289**	**–222**

1) Pension cost for executives as defined in footnote 3 above, amounts to EUR 5m (EUR 5m) and pension obligations to EUR 39m (EUR 45m).
2) Excluding social security contributions. Including social security contributions EUR 99m (EUR 61m).

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) no later than one week before the Annual General Meeting on 19 March 2015.

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2014 decided to increase the remuneration to the Board of Directors (the Board) by 3% for all members, apart from the remuneration to the vice chairman which was raised by 14%. The remuneration was EUR 259,550 for the chairman, EUR 123,250 for the vice chairman and EUR 80,250 for other members. The annual remuneration for committee work was EUR 21,350 for the chairman of the committee and EUR 15,150 for other members. Board members employed by Nordea do not receive separate remuneration for their Board membership. There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for pension commitments to one Board member previously employed by Nordea.

Remuneration to the Board of Directors [1]

EUR	2014	2013
Chairman of the Board:		
Björn Wahlroos	273,160	267,264
Vice Chairman of the Board:		
Marie Ehrling	140,996	125,765
Other Board members[2]**:**		
Stine Bosse[3]	—	21,655
Peter F Braunwalder[4]	22,435	91,945
Elisabeth Grieg	94,862	70,291
Svein Jacobsen[5]	57,767	97,445
Tom Knutzen	97,502	91,945
Robin Lawther[6]	72,426	—
Lars G Nordström	94,862	91,945
Sarah Russell	94,862	91,945
Kari Stadigh	101,035	97,445
Total	**1,049,907**	**1,047,645**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. These are paid out on a quarterly basis in SEK and translated into EUR based on the average exchange rate each year for accounting purposes. Exhange rate effects have had a decreasing impact on the remuneration to the Board.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2013.
4) Resigned as member of the Board as from the AGM 2014.
5) Resigned as member of the Board as from 31 July 2014.
6) New member of the Board as from the AGM 2014.

Salary and benefits

Chief Executive Officer (CEO)

For 2014 the remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Program (GEM EIP) and benefits.

The fixed salary amounted to SEK 11,252,193 (EUR 1,236,337), an increase with 2.0% compared to 2013 as announced at the AGM 2014.

GEM EIP 2014 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2014 the outcome of the GEM EIP amounted to EUR 1,084,267, and the outcome in 2013 was EUR 831,280. The reason behind the increase in 2014 is a higher outcome on the targets on Group level.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2014 will be paid out in 2015, 30% will be deferred to 2018 and 30% to 2020.

The benefits for 2014 amounted to EUR 78,342 and include primarily car and housing. For 2013 the benefits amounted to EUR 81,645.

The total earned remuneration for 2014 based on the three components amounted to EUR 2,398,946 and in 2013 to EUR 2,187,895.

The CEO took part in the previous share-based Long Term Incentive Programmes (LTIP) that was terminated in 2012. The expense from the LTIP programmes is accounted for over three years starting in the year in which they were part of the total remuneration (the year of issuance). The expense 2014 thus includes expense from LTIP 2011 and LTIP 2012 and the expense for 2013 includes expense from LTIP 2010, LTIP 2011 and LTIP 2012.

For 2014 the expense for the CEO related to the LTIP programmes amounted to EUR 398,081, and for 2013 the expense amounted to EUR 349,817.

For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

G7 Staff costs, cont.

Remuneration to the Chief Executive Officer and Group Executive Management [1]

	Fixed salary		GEM Executive Incentive Programme[2]		Benefits		**Total remuneration**	
EUR	2014	2013	2014	2013	2014	2013	**2014**	**2013**
Chief Executive Officer (CEO):								
Christian Clausen[3]	1,236,337	1,274,970	1,084,267	831,280	78,342	81,645	**2,398,946**	**2,187,895**
Group Executive Management (GEM):								
6 (6) individuals excluding CEO[4]	4,359,064	4,450,178	3,912,561	2,748,761	267,992	290,739	**8,539,617**	**7,489,678**
Total	**5,595,401**	**5,725,148**	**4,996,828**	**3,580,041**	**346,334**	**372,384**	**10,938,563**	**9,677,573**

1) The CEO and members of GEM were until 2012 offered a Variable Salary Part (VSP) and a share-based Long Term Incentive Programme (LTIP). Instead of these two programmes the Board in 2013 decided, in order to reduce complexity, to offer a GEM Executive Incentive Programme (GEM EIP).
2) The outcome from GEM Executive Incentive Programme (GEM EIP) 2014 has been expensed in full in 2014 but will be paid out over a five year deferral period with forfeiture clauses in order to comply with the remuneration regulations from the Swedish FSA. The reason behind the increase in 2014 is a higher outcome on the targets on Group level. The GEM EIP is indexed with Nordea's total shareholder return (TSR) during the deferral period. The GEM EIP is further described in the separate section on remuneration in the Board of Directors' report and below.
3) The CEO's salary is paid in SEK and converted to EUR based on the average exchange rate each year. The fixed salary increased with 2% to SEK 11,252,193 (EUR 1,236,337) as communicated at the AGM 2014. The decrease in fixed salary 2014 expressed in EUR is due to exchange rates effects. Benefits are included at taxable values.
4) GEM members are included for the period they have been appointed. Benefits are included at taxable values. One new GEM member was appointed in June 2014 and one member resigned in June 2014. The reasons behind the increase in GEM EIP 2014 are a higher outcome on the targets on Group level and that GEM only had five members part of 2013. Termination benefits amounted to EUR 1.6m (EUR 1.5m) and are excluded from the table above.

Long Term Incentive Programmes (LTIP) 2010–2012

	Expense[1] (EUR)		Number of outstanding shares[2]			
	2014	2013	LTIP 2012[3]	LTIP 2011[4]	LTIP 2010[4]	**Total**
Chief Executive Officer (CEO):						
Christian Clausen	398,081	349,817	150,025	45,311	13,536	**208,872**
Group Executive Management (GEM):						
6 (6) Individuals excluding CEO	1,062,253	1,021,443	371,185	118,392	38,774	**528,351**
Total	**1,460,334**	**1,371,260**	**521,210**	**163,703**	**52,310**	**737,223**

1) The expense from the LTIP programmes is recognised as the vesting requirements are fulfilled over the three years vesting period starting the year of issuance. The expense 2013 includes expense from LTIP 2010, LTIP 2011 and LTIP 2012. The expense 2014 includes expense from LTIP 2011 and LTIP 2012. LTIP 2012 will be fully expensed in May 2015. The main reason behind the increase 2014 is that the expectation on the outcome from the vesting requirements in LTIP 2012 has changed. GEM members are included for the period they have been appointed and the expense is calculated in accordance with IFRS 2 "Share-based Payment".
2) 60% of the vested shares are deferred with forfeiture clauses due to remuneration regulations from the Swedish FSA and allotted over a five year period, for LTIP 2010 starting May 2013, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 55 and below for more details.
3) The CEO and members of GEM have a conditional right to a maximum 104,242 matching shares, 312,726 performance shares I and 104,242 performance shares II in LTIP 2012, in total 521,210 shares. The value of the outcome from LTIP 2012 on the day of allotment in May 2015 cannot exceed the annual fixed salary year end 2011.
4) Shares in LTIP 2010 and LTIP 2011 are fully vested and consequently not conditional.

The total expense related to the remuneration of the CEO in 2014, including the three components of the remuneration earned in 2014 and the LTIP programmes that were part of the remuneration for previous years, amounted to EUR 2,797,027. For 2013 the total expense was EUR 2,537,712.

In accordance with the remuneration regulation from the Swedish FSA, the variable salary components and outcome from LTIPs are deferred and paid out over a period of five years. The below table specifies the paid fixed and variable salary (GEM EIP and VSP), benefits given and shares allotted in the Long Term Incentive Programmes (LTIP) to the CEO in 2014 and 2013.

Paid salary, benefits given and shares allotted to the CEO

EUR	2014	2013
Fixed salary	1,236,337	1,274,970
Benefits	78,342	81,645
VSP/GEM EIP (earned previous years)[1]	444,116	215,744
LTIP (earned previous years)[2]	325,548	91,008
Total	**2,084,343**	**1,663,367**

1) Payment in 2014 relate to 40% of outcome from GEM EIP 2013 and deferrals from VSP 2012 and VSP 2011. Payment in 2013 relates to 40% of outcome from VSP 2012 and deferral from VSP 2011.
2) Taxable benefit in 2014 relates to allotment of 33,592 shares from LTIP 2011 and LTIP 2010. Taxable benefit in 2013 relates to allotment of 11,280 shares from LTIP 2010.

The fixed salary, GEM Executive Incentive Programme and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board in accordance with Nordea's remuneration guidelines approved by AGM 2014.

Group Executive Management (GEM)
The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for members of GEM, for resolution by the Board. GEM EIP 2014, which is based on agreed, specific targets, can be a maximum of 100% of the fixed salary.

Benefits include primarily car and/or housing. As for the CEO, GEM members took part of the previous LTIPs.

Pension
Chief Executive Officer (CEO)
The CEO is covered by a defined benefit plan up to the age of 60. The pension amounts to 50% of the pensionable income, defined as the fixed salary, for life. The maximum pensionable income is 200 Swedish Income Base Amounts. The pension obligation is funded by plan assets. At age 60 the pension risk is transferred to the CEO. Pension payments are to be made in accordance with local legislations and pension insurance conditions and start no earlier than at retirement. From age 60 the CEO will have a defined contribution plan. The pension contribution is 30% of the fixed salary.

G7 Staff costs, cont.

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 62, 65 or 70. Pension agreements are defined benefit plans, defined contribution plans or a combination of such plans.

Two members have defined benefit plans not based on collective agreements. One of these defined benefit plans provides retirement pension amounting to 50% of pensionable income for life from age 62, including national pension benefits. The second defined benefit plan not based on a collective agreement provides a retirement pension, 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. The second defined benefit plan will be closed by end of March 2015 and substituted by a defined contribution plan. Two members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and one in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. Finally two members have defined contribution plans. Fixed salary is pensionable income for all GEM-members. Part of GEM EIP is included in the pensionable income for one member.

Pension expense and pension obligation

	2014		2013	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Board members[3]:				
Lars G Nordström	—	367,851	—	363,280
Chief executive officer (CEO):				
Christian Clausen[4]	760,804	15,341,148	807,988	12,440,440
Group Executive Management (GEM):				
6 (6) individuals excluding CEO[5]	2,122,898	8,585,591	1,799,215	5,502,372
Former Chairman of the Board and CEOs:				
Vesa Vainio and Thorleif Krarup[6]	–339,377	5,773,806	—	16,916,203
Total	**2,544,325**	**30,068,396**	**2,607,203**	**35,222,295**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 945,583 (EUR 853,782) relates to defined contribution agreements.
2) The pension obligation is calculated in accordance with IAS 19. The obligation is dependent on 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.
3) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period.
4) The CEO's pension agreement is unchanged. The main reasons behind the increase in pension obligation are changes in discount rates and new pension rights earned in 2014. Exchange rate effects have had a decreasing impact on both the pension expense and the pension obligation.
5) Members of GEM included for the period they are appointed. The pension obligation is the obligation towards the members of GEM as of 31 December. The main reasons behind the increase in pension obligation are changes in discount rates and new pension rights earned in 2014. The main reasons behind the increase in pension expense are that six members have been included for the whole year and changes in accumulated paid up policies. Exchange rate effects have had a decreasing impact on both the pension expense and the pension obligation. Termination benefits amounted to EUR 0.2m (EUR 0.4m) and are excluded from the table above.
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 decrease in the pension obligation is mainly due to that the pension obligation/pension risk was transferred to Thorleif Krarup end of August 2014 and the pension obligation for Thorleif Krarup is hence accounted for as settled. The settlement led to a gain of EUR 339,377.

Notice period and severance pay
In accordance with their employment contracts CEO and four 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. The CEO is not entitled to severance pay if leaving Nordea after the age of 60.

Two 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, amount to EUR 3m (EUR 3m). 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 terms based on market conditions. In Norway the employee interest rate for loans is variable and was at 31 December 2014 2.8% for loans up to NOK 5m and 3.15% for loans above NOK 5m. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 40 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. 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, a decrease from 150 basis points as from 1 December 2014). 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 is 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.

G7 Staff costs, cont.

Long Term Incentive Programmes

	2014			2013		
Conditional rights LTIP 2012	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of the year	1,260,752	3,164,297	1,260,752	1,264,437	3,176,540	1,264,437
Granted[1]	54,976	137,708	54,976	46,646	117,074	46,646
Forfeited	–61,428	–160,112	–61,428	–50,331	–129,317	–50,331
Outstanding at end of year	**1,254,300**	**3,141,893**	**1,254,300**	**1,260,752**	**3,164,297**	**1,260,752**
– of which currently exercisable	—	—	—	—	—	—
Rights LTIP 2011						
Outstanding at the beginning of year	974,746	1,949,493	974,746	971,195	1,942,391	971,195
Granted[1]	42,030	84,060	42,030	36,064	72,128	36,064
Forfeited	–24,245	–375,231	–570,137	–32,513	–65,026	–32,513
Alloted	–722,860	–1,207,754	–325,287	—	—	—
Outstanding at end of year	**269,671**	**450,568**	**121,352**	**974,746**	**1,949,493**	**974,746**
– of which currently exercisable	—	—	—	—	—	—
Rights LTIP 2010						
Outstanding at the beginning of year	179,929	190,096	80,971	871,028	1,742,056	871,028
Forfeited	—	—	—	–18,373	–841,222	–487,322
Allotted	–47,345	–50,018	–21,307	–672,726	–710,738	–302,735
Outstanding at end of year	**132,584**	**140,078**	**59,664**	**179,929**	**190,096**	**80,971**
– of which currently exercisable	—	—	—	—	—	—

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.

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

	LTIP 2012			LTIP 2011		
	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
Exercise price	—	—	—	—	—	—
Grant date	13 May 2012	13 May 2012	13 May 2012	13 May 2011	13 May 2011	13 May 2011
Vesting period	36 months	36 months	36 months	36 months	36 months	36 months
Contractual life	36 months	36 months	36 months	36 months	36 months	36 months
Allotment	April/May 2015	April/May 2015	April/May 2015	April/May 2014	April/May 2014	April/May 2014
Fair value at grant date	EUR 6.06[1]	EUR 6.06[1]	EUR 2.19[1]	EUR 7.33[1]	EUR 7.33[1]	EUR 2.65[1]

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

	LTIP 2010		
	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00
Exercise price	—	—	—
Grant date	13 May 2010	13 May 2010	13 May 2010
Vesting period	36 months	36 months	36 months
Contractual life	36 months	36 months	36 months
Allotment	April/May 2013	April/May 2013	April/May 2013
Fair value at grant date	EUR 6.75	EUR 6.75	EUR 2.45

G7 Staff costs, cont.

Conditions and requirements

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

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.

LTIP 2011/2010 are not alloted in full due to deferral and retention requirements by Nordic FSAs.

	LTIP 2012	LTIP 2011	LTIP 2010
Service condition, Matching Share/ Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.
Performance condition, Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full allotment will be obtained if the RAROCAR amounts to 17%.	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full allotment will be obtained if the Compound Annual Growth Rate amounts to or exceeds 10%.	Compound Annual Growth Rate in RAPPS from year 2009 (base year) to and including year 2012. Full allotment was obtained if the Compound Annual Growth Rate amounted to or exceeded 9%.
EPS knock out, 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.
Performance condition, Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/B-ranking year-end 2014 compared to a peer group. Full allotment will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1–5.	TSR during 2011–2013 in comparison with a peer group. Full allotment will be obtained if Nordea is ranked number 1–5.	TSR during 2010–2012 in comparison with a peer group. Full allotment was obtained if Nordea was ranked number 1–5.
Cap	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2010.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2009.
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	—

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 2012	LTIP 2011	LTIP 2010
Weighted average share price	EUR 6.70	EUR 8.39	EUR 6.88
Right life	3.0 years	3.0 years	3.0 years
Deduction of expected dividends	No	No	No
Risk free rate	Not applicable	Not applicable	Not applicable
Expected volatility	Not applicable	Not applicable	Not applicable

As the exercise price (zero for LTIP 2012, LTIP 2011 and LITP 2010) is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest.

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

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

EURm	LTIP 2012	LTIP 2011	LTIP 2010
Expected expense for the whole programme	–29	–21	–14
Maximum expense for the whole programme	–29	–21	–14
Total expense during 2014	–14	–2	—
Total expense during 2013	–6	–7	–3

1) All amounts excluding social security contribution.

When calculating the expected expense an expected annual employee turnover of 5% has been used. The expected expense is recognised over the vesting period of 36 months.

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 transferred after three years or transferred 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. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2014 is paid no earlier than autumn 2018. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2014 is decided during spring 2015, and a reservation of EUR 43m excl. social costs is made 2014. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals	
EURm	2014	2013
Opening balance	28	21
Deferred/earned during the year	17	15
TSR indexation during the year	4	9
Payments during the year[1]	–17	–15
Translation differences	0	–2
Closing balance	**32**	**28**

1) There have been no adjustments due to forfeitures in 2014.

G7 Staff costs, cont.

Average number of employees – Continuing operations

	Total		Men		Women	
	2014	2013	2014	2013	2014	2013
Full-time equivalents						
Denmark	8,255	8,251	4,328	4,512	3,927	3,739
Finland	6,971	7,116	1,990	1,863	4,981	5,253
Sweden	6,963	6,881	3,212	3,083	3,751	3,798
Norway	3,238	3,280	1,748	1,767	1,490	1,513
Russia	1,418	1,454	454	469	964	985
Poland	692	503	242	114	450	389
Estonia	486	468	104	102	382	366
Latvia	431	443	132	132	299	311
Luxembourg	373	376	245	240	128	136
Lithuania	351	340	110	101	241	239
United States	118	113	61	56	57	57
United Kingdom	75	69	46	45	29	24
Singapore	85	77	29	23	56	54
Germany	57	55	31	23	26	32
Switzerland	30	29	13	12	17	17
China	28	24	12	9	16	15
Brazil	4	4	3	2	1	2
Total average	**29,575**	**29,483**	**12,760**	**12,553**	**16,815**	**16,930**
Total number of employees (FTEs), end of period	**29,397**	**29,429**				

Gender distribution

In the parent company´s Board of Directors 50% (67%) were men and 50% (33%) were women. In the Board of Directors of the Nordea Group companies, 75% (78%) were men and 25% (22%) were women. The corresponding numbers for Other executives were 65% (69%) men and 35% (31%) women. Internal Boards consist mainly of management in Nordea.

G8 Other expenses

EURm	2014	2013
Information technology	–558	–671
Marketing and representation	–103	–116
Postage, transportation, telephone and office expenses	–177	–192
Rents, premises and real estate	–387	–373
Other	–410	–483
Total	**–1,635**	**–1,835**

Auditors' fees – Total operations

EURm	2014	2013
KPMG		
Auditing assignments	–5	–7
Audit-related services	–1	–1
Tax advisory services	0	0
Other assignments	–1	–5
Total	**–7**	**–13**
Ernst & Young		
Auditing assignments	–1	—
Audit-related services	0	—
Tax advisory services	0	—
Other assignments	0	—
Total	**–1**	**—**
Total Auditors' fees	**–8**	**–13**

G9 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2014	2013
Depreciation/amortisation		
Properties and equipment	–122	–91
Intangible assets	–110	–119
Total	**–232**	**–210**
Impairment charges/reversed impairment charges		
Intangible assets	–350	–17
Total	**–350**	**–17**
Total	**–582**	**–227**

G10 Net loan losses

EURm	2014	2013
Loan losses divided by class		
Realised loan losses	–2	0
Allowances to cover realised loan losses	2	—
Reversals of previous provisions	23	1
Loans to credit institutions[1]	**23**	**1**
Realised loan losses	–633	–709
Allowances to cover realised loan losses	450	508
Recoveries on previous realised loan losses	81	76
Provisions	–998	–1,131
Reversals of previous provisions	557	508
Loans to the public[1]	**–543**	**–748**
Realised loan losses	–3	0
Allowances to cover realised loan losses	3	—
Recoveries on previous realised loan losses	—	0
Provisions	–107	–25
Reversals of previous provisions	93	37
Off-balance sheet items[2]	**–14**	**12**
Net loan losses	**–534**	**–735**

1) See Note G13 "Loans and impairment".
2) Included in Note G31 "Provisons" as "Transfer risk, off-balance" and "Individually assessed guarantees and other commitments".

G11 Taxes

Income tax expense

EURm	2014	2013
Current tax	–887	–927
Deferred tax	–6	–31
Bank tax in Finland[1]	–60	–51
Total	**–953**	**–1,009**

1) The Finnish bank tax was introduced in 2013 and is based on risk exposure amount rather than income.

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Sweden (excluding bank tax in Finland) as follows:

EURm	2014	2013
Profit before tax	4,324	4,116
Tax calculated at a tax rate of 22.0%	–951	–906
Effect of different tax rates in other countries	–55	–123
Income from associated undertakings	2	17
Tax-exempt income	131	38
Non-deductible expenses	–25	–32
Adjustments relating to prior years	9	35
Utilization of non-capitalized tax losses carry-forwards from previous periods	1	2
Change of tax rate	3	33
Not creditable foreign taxes	–8	–22
Tax charge	**–893**	**–958**
Average effective tax rate	21%	23%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2014	2013	2014	2013
Deferred tax related to:				
Tax losses carry-forward	283	50	—	—
Loans to the public	20	19	410	430
Derivatives	10	10	459	155
Intangible assets	0	0	44	72
Investment properties	0	0	150	155
Retirement benefit assets/obligations	156	25	60	52
Hedge of net investments in foreign operations	—	3	94	—
Liabilities/provisions	54	52	127	169
Other	7	7	39	6
Netting between deferred tax assets and liabilities	–400	–104	–400	–104
Total	**130**	**62**	**983**	**935**

EURm	2014	2013
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	44	45
Total	**44**	**45**

G12 Earnings per share

	Total operations		Continuing operations		Discontinued operations	
	2014	2013	2014	2013	2014	2013
Earnings:						
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3,332	3,116	3,371	3,107	–39	9
Number of shares (in millions):						
Number of shares outstanding at beginning of year	4,050	4,050	4,050	4,050	4,050	4,050
Average number of own shares	–26	–31	–26	–31	–26	–31
Weighted average number of basic shares outstanding	**4,024**	**4,019**	**4,024**	**4,019**	**4,024**	**4,019**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	7	1	7	1	7	1
Weighted average number of diluted shares outstanding	**4,031**	**4,020**	**4,031**	**4,020**	**4,031**	**4,020**
Basic earnings per share, EUR–Total operations	0.83	0.77	0.84	0.77	–0.01	0.00
Diluted earnings per share, EUR–Total operations	0.83	0.77	0.84	0.77	–0.01	0.00

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 section 21.

G13 Loans and impairment

	Central banks and credit institutions		The public[1]		Total	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loans, not impaired	19,177	22,515	344,407	338,703	363,584	361,218
Impaired loans	—	24	6,425	6,540	6,425	6,564
– Performing	—	—	4,115	3,909	4,115	3,909
– Non-performing	—	24	2,310	2,631	2,310	2,655
Loans before allowances	**19,177**	**22,539**	**350,832**	**345,243**	**370,009**	**367,782**
Allowances for individually assessed impaired loans	—	–24	–2,329	–2,373	–2,329	–2,397
– Performing	—	—	–1,432	–1,372	–1,432	–1,372
– Non-performing	—	–24	–897	–1,001	–897	–1,025
Allowances for collectively assessed impaired loans	–2	–3	–418	–419	–420	–422
Allowances	**–2**	**–27**	**–2,747**	**–2,792**	**–2,749**	**–2,819**
Loans, carrying amount	**19,175**	**22,512**	**348,085**	**342,451**	**367,260**	**364,963**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G21 Leasing.

G13 Loans and impairment, cont.

Movements of allowance accounts for impaired loans

EURm	Central banks and credit institutions: Individually assessed	Collectively assessed	Total	The public: Individually assessed	Collectively assessed	Total	Total: Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2014	**–24**	**–3**	**–27**	**–2,373**	**–419**	**–2,792**	**–2,397**	**–422**	**–2,819**
Provisions	1	0	1	–877	–121	–998	–876	–121	–997
Reversals of previous provisions	22	0	22	442	115	557	464	115	579
Changes through the income statement	**23**	**0**	**23**	**–435**	**–6**	**–441**	**–412**	**–6**	**–418**
Allowances used to cover realised loan losses	2	—	2	450	—	450	452	—	452
Translation differences	–1	1	—	29	7	36	28	8	36
Closing balance at 31 Dec 2014	**0**	**–2**	**–2**	**–2,329**	**–418**	**–2,747**	**–2,329**	**–420**	**–2,749**
Opening balance at 1 Jan 2013	**–24**	**–4**	**–28**	**–2,376**	**–444**	**–2,820**	**–2,400**	**–448**	**–2,848**
Provisions	0	0	0	–957	–174	–1,131	–957	–174	–1,131
Reversals of previous provisions	0	1	1	383	125	508	383	126	509
Changes through the income statement	**0**	**1**	**1**	**–574**	**–49**	**–623**	**–574**	**–48**	**–622**
Reclassified to assets held for sale	—	—	—	60	14	74	60	14	74
Allowances used to cover realised loan losses	—	—	—	508	—	508	508	—	508
Reclassification	—	—	—	–42	42	0	–42	42	0
Translation differences	0	0	0	51	18	69	51	18	69
Closing balance at 31 Dec 2013	**–24**	**–3**	**–27**	**–2,373**	**–419**	**–2,792**	**–2,397**	**–422**	**–2,819**

Allowances and provisions[1]

EURm	Central banks and credit institutions: 31 Dec 2014	31 Dec 2013	The public: 31 Dec 2014	31 Dec 2013	Total: 31 Dec 2014	31 Dec 2013
Allowances for items on the balance sheet	–2	–27	–2,747	–2,792	–2,749	–2,819
Provisions for off balance sheet items	–9	–10	–63	–51	–72	–61
Total allowances and provisions	**–11**	**–37**	**–2,810**	**–2,843**	**–2,821**	**–2,880**

1) Included in Note G31 "Provisions" as "Transfer risk, off-balance" and "individually assessed guarantees and other commitments".

Key ratios[1]

	31 Dec 2014	31 Dec 2013
Impairment rate, gross, basis points	174	178
Impairment rate, net, basis points	111	113
Total allowance rate, basis points	74	77
Allowances in relation to impaired loans, %	36	37
Total allowances in relation to impaired loans, %	43	43
Non-performing loans, not impaired, EURm	289	418

1) For definitions, see "Business definitions" on page 71.

G14 Interest-bearing securities

EURm	31 Dec 2014	31 Dec 2013
State and sovereigns	26,107	21,422
Municipalities and other public bodies	2,385	2,490
Mortgage institutions	28,742	32,481
Other credit institutions	23,730	23,931
Corporates	5,175	6,095
Corporates sub-investment grade	758	445
Other	213	450
Total	**87,110**	**87,314**

G15 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 on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2014	31 Dec 2013
Interest-bearing securities	12,121	9,544
Shares	30	31
Total	**12,151**	**9,575**

For information on transferred assets and reverse repos, see Note G43.

G16 Shares

EURm	31 Dec 2014	31 Dec 2013
Shares	15,505	12,164
Fund units, equity related	16,529	11,329
Fund units, interest related	7,745	9,809
Total	**39,779**	**33,302**
– of which Financial instruments pledged as collateral (Note G15)	30	31
Total	**39,749**	**33,271**

G17 Derivatives and Hedge accounting

31 Dec 2014, EURm	Fair value Positive	Fair value Negative	Total nom amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	62,562	56,949	4,187,058
FRAs	55	62	61,419
Futures and forwards	360	392	1,294,054
Options	15,447	12,815	456,865
Total	**78,424**	**70,218**	**5,999,396**
Equity derivatives			
Equity swaps	105	275	7,372
Futures and forwards	13	22	981
Options	549	780	20,132
Total	**667**	**1,077**	**28,485**
Foreign exchange derivatives			
Currency and interest rate swaps	17,526	19,612	723,861
Currency forwards	2,224	994	84,666
Options	467	329	29,654
Other	1	1	99
Total	**20,218**	**20,936**	**838,280**
Credit derivatives			
Credit Default Swaps (CDS)	2,864	2,853	91,827
Total	**2,864**	**2,853**	**91,827**
Commodity derivatives	71	19	787
Other derivatives	35	15	2,359
Total derivatives held for trading	**102,279**	**95,118**	**6,961,134**
Derivatives used for hedge accounting			
Interest rate derivatives	2,044	1,064	95,925
Equity derivatives	—	4	55
Foreign exchange derivatives	796	1,154	28,094
Total derivatives used for hedge accounting	**2,840**	**2,222**	**124,074**
– of which cash flow hedges	816	850	36,091[1]
– of which fair value hedges	1,672	1,370	100,598[1]
– of which net investment hedges	352	2	12,674
Total derivatives	**105,119**	**97,340**	**7,085,208**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2014, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	—	—	—	—	—
Cash outflows (liabilities)	3,626	10,022	3,989	3,628	1,191
Net cash outflows	**3,626**	**10,022**	**3,989**	**3,628**	**1,191**

G17 Derivatives and Hedge accounting, cont.

31 Dec 2013, EURm	Fair value Positive	Fair value Negative	Total nom amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	48,038	43,270	3,943,615
FRAs	16	18	50,590
Futures and forwards	206	210	1,155,477
Options	8,397	7,904	567,809
Total	**56,657**	**51,402**	**5,717,491**
Equity derivatives			
Equity swaps	86	151	5,381
Futures and forwards	3	5	733
Options	618	645	16,189
Total	**707**	**801**	**22,303**
Foreign exchange derivatives			
Currency and interest rate swaps	9,467	10,203	749,352
Currency forwards	472	510	84,848
Options	185	149	21,116
Total	**10,124**	**10,862**	**855,316**
Credit derivatives			
Credit Default Swaps (CDS)	1,337	1,361	60,888
Total	**1,337**	**1,361**	**60,888**
Commodity derivatives	144	113	3,925
Other derivatives	34	27	2,378
Total derivatives held for trading	**69,003**	**64,566**	**6,662,301**
Derivatives used for hedge accounting			
Interest rate derivatives	1,573	588	97,594
Foreign exchange derivatives	416	770	18,563
Total derivatives used for hedge accounting	**1,989**	**1,358**	**116,157**
– of which cash flow hedges	530	843	21,899[1]
– of which fair value hedges	1,417	493	105,502[1]
– of which net investment hedges	42	22	9,455
Total derivatives	**70,992**	**65,924**	**6,778,458**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2013, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	67	—	—	—	65
Cash outflows (liabilities)	6,013	9,399	14,943	10,736	1,623
Net cash outflows	**5,946**	**9,399**	**14,943**	**10,736**	**1,558**

G18 Fair value changes of the hedged items in portfolio hedge of interest rate risk

EURm	31 Dec 2014	31 Dec 2013
Assets		
Carrying amount at beginning of year	203	–711
Changes during the year		
Revaluation of hedged items	63	926
Translation differences	–10	–12
Carrying amount at end of year	**256**	**203**
Liabilities		
Carrying amount at beginning of year	1,734	1,940
Changes during the year		
Revaluation of hedged items	1,812	–169
Translation differences	–128	–37
Carrying amount at end of year	**3,418**	**1,734**

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.

G19 Investments in associated undertakings

EURm	31 Dec 2014	31 Dec 2013
Acquisition value at beginning of year	641	596
Acquisitions during the year	8	8
Sales during the year	–102	–4
Share in earnings[1]	22	86
Dividend received	–55	–62
Reclassification	–8	—
Translation differences	–18	17
Acquisition value at end of year	**488**	**641**
Accumulated impairment charges at beginning of year	–11	–11
Reversed impairment charges during the year	1	1
Reclassifications	8	–1
Translation differences	1	0
Accumulated impairment charges at end of year	**–1**	**–11**
Total	**487**	**630**

1) Share in earnings

EURm	2014	2013
Profit from companies accounted for under the equity method	18	79
Portfolio hedge, Eksportfinans ASA	–10	–7
Associated undertakings in Life insurance, reported as Net result from items at fair value	14	14
Share in earnings	**22**	**86**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2014	31 Dec 2013
Total assets	4,068	5,069
Net profit or loss from continuing operations	–141	41
Other comprehensive income	—	—
Total comprehensive income	–141	41

Nordea has issued contingent liabilities of EUR 358m (EUR 1,052m) on behalf of associated undertakings.

G19 Investments in associated undertakings, cont.

31 Dec 2014	Registration number	Domicile	Carrying amount 2014, EURm	Carrying amount 2013, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	164	184	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	194	197	49
Suomen Luotto-osuuskunta	0201646–0	Helsinki	3	25	27
LR Realkredit A/S	26045304	Copenhagen	10	10	39
Realia Holding Oy	2106796-8	Helsinki	20	20	25
Samajet Nymøllevej 59–91	24247961	Ballerup	21	21	25
E-nettet Holding A/S	28308019	Copenhagen	2	2	20
Hovedbanens Forretningscenter K/S	16301671	Ballerup	16	15	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	9	9	33
Automatia Pankkiautomaatit Oy	0974651–1	Helsinki	8	8	33
SWIPP Holding APS	36439696	Copenhagen	3	—	30
Bankernas Kontantservice A/S	33077599	Copenhagen	5	1	20
Bluegarden A/S	27226027	Ballerup	3	3	29
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
Nets Holding A/S[1]	27225993	Ballerup	—	108	21
NF Techfleet AB	556967–5423	Ballerup	1	—	20
NF Fleet Oy	2006935–5	Espoo	5	3	20
Upplysningscentralen UC AB	556137–5113	Stockholm	2	3	26
Bankomat AB	556817–9716	Stockholm	5	5	20
Other			10	10	
Total			**487**	**630**	

1) Sold in July 2014.

G20 Intangible assets

EURm	31 Dec 2014	31 Dec 2013
Goodwill allocated to cash generating units[1]		
Retail Banking Norway	787	847
Retail Banking Denmark	591	590
Retail Banking Sweden	221	231
Life & Pensions	296	309
Banking Russia	154	247
Shipping, Offshore & Oil services	185	197
Total goodwill	**2,234**	**2,421**
Computer software	580	757
Other intangible assets	94	68
Total intangible assets	**2,908**	**3,246**

1) Excluding goodwill in associated undertakings.

Movements in goodwill		
Acquisition value at beginning of year	2,422	2,657
Reclassification to assets held for sale	—	–65
Translation differences	–187	–170
Acquisition value at end of year	**2,235**	**2,422**
Accumulated impairment charges at beginning of year	–1	–1
Accumulated impairment charges at end of year	**–1**	**–1**
Total	**2,234**	**2,421**

G20 Intangible assets, cont.

EURm	31 Dec 2014	31 Dec 2013
Movements in computer software		
Acquisition value at beginning of year	1,184	1,041
Acquisitions during the year	279	191
Disposals during the year	–10	–4
Reclassifications	4	–12
Translation differences	–42	–32
Acquisition value at end of year	**1,415**	**1,184**
Accumulated amortisation at beginning of year	–380	–305
Amortisation according to plan for the year	–85	–89
Accumulated amortisation on disposals during the year	10	3
Reclassifications	—	2
Translation differences	7	9
Accumulated amortisation at end of year	**–448**	**–380**
Accumulated impairment charges at beginning of year	–47	–42
Impairment charges during the year	–350	–17
Reclassifications	—	9
Translation differences	10	3
Accumulated impairment charges at end of year	**–387**	**–47**
Total	**580**	**757**

Impairment testing of goodwill

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. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows in the near future (generally between 3–5 years) are based on financial forecasts, derived from forecasted margins, volumes 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 2.0% (2.5%) has been used for all Nordic cash generating units. For cash generating units in Poland and Russia, 2.5% (4.0%) and 2.5% (4.5%) have been used. Growth rates are based on historical data, updated to reflect the current situation.

Cash flows include normalised loan losses.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The post-tax discount rate used for the impairment test 2014 is 7.5% (8.5%), which equals a pre-tax rate of 9.9% (11.3%). For operations in Poland, an additional risk premium of 130 (170) basis points has been applied and for Russia an additional risk premium of 580 (250) basis points has been applied.

The impairment tests conducted in 2014 did not indicate any need for goodwill impairment. See Note G1 section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage points are considered to be reasonably possible changes in key assumptions. Such a change would not result in an impairment in any of the cash generating units, except for the Life business in Poland. An increase in the discount rate by 1 percentage point would result in an impairment loss of EUR 8m and a decrease in the growth rate by 1 percentage point would result in an impairment loss of EUR 6m in Life Poland. The goodwill allocated to Poland amounts to EUR 40m.

The impairment test for Russia did not indicate any impairment loss based on the estimated cash flows and abovementioned assumptions. Reasonable possible changes to the discount rate and the growth rate do not trigger any impairment loss, but the current turmoil in Russia does however create uncertainty also around estimated cash flows. It is however Nordea's assessment that even a significant decrease in future cash flows would, all other assumptions unchanged, not lead to an impairment loss.

Impairment testing of IT development projects

The main driver behind the impairment is the decision to build new core banking and payment platforms, but to some extent also current decisions following reassessments of useful lives of other systems. Reassessments of useful lives follow the recently observed increase in the pace at which the regulatory and technological development is moving. The impairment has been included in "Group Functions, Other and Eliminations" in the business area reporting and as a reconciling item in Note G2 "Segment reporting". The recoverable amount of relevant systems is estimated based on their value in use. The impairment of capitalised IT development amounting to EUR 350m is recognised on the line "Depreciation, amortisation and impairment charges of tangible and intangible assets".

G21 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 G13) 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 2014	31 Dec 2013
Gross investments	7,480	7,751
Less unearned finance income	–356	–343
Net investments in finance leases	**7,124**	**7,408**
Less unguaranteed residual values accruing to the benefit of the lessor	–22	–73
Present value of future minimum lease payments receivable	**7,102**	**7,335**
Accumulated allowance for uncollectible minimum lease payments receivable	8	10

As of 31 December 2014 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2014	
EURm	Gross Investment	Net Investment
2015	2,085	1,965
2016	1,651	1,568
2017	1,559	1,509
2018	778	746
2019	709	681
Later years	698	655
Total	**7,480**	**7,124**

Operating leases

Assets subject to operating leases mainly comprise real estate, vehicles, aeroplanes and other equipment. On the balance sheet they are reported as tangible assets.

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

EURm	31 Dec 2014
2015	10
2016	8
2017	12
2018	4
2019	4
Later years	1
Total	**39**

Nordea as a lessee

Finance leases

Nordea has only to a minor extent entered into finance lease agreements.

Operating leases

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

Leasing expenses during the year, EURm	31 Dec 2014	31 Dec 2013
Leasing expenses during the year	–236	–250
– of which minimum lease payments	–233	–227
– of which contingent rents	–3	–23
Leasing income during the year regarding sublease payments	6	8

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

EURm	31 Dec 2014
2015	175
2016	140
2017	110
2018	92
2019	64
Later years	272
Total	**853**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 15m.

G22 Investment properties

EURm	31 Dec 2014	31 Dec 2013
Carrying amount at beginning of year	3,524	3,408
Acquisitions during the year	172	504
Sales during the year	–423	–219
Fair value adjustments	50	–40
Transfers/reclassifications during the year	–35	–5
Translation differences	–61	–124
Carrying amount at end of year	**3,227**	**3,524**

Amounts recognised in the income statement[1]

EURm	2014	2013
Fair value adjustments	50	–40
Rental income	220	236
Direct operating expenses that generate rental income	–43	–45
Direct operating expenses that did not generate rental income	–9	–8
Total	**218**	**143**

1) 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 properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see note G40.

G23 Other assets

EURm	31 Dec 2014	31 Dec 2013
Claims on securities settlement proceeds	3,339	2,977
Cash/margin receivables	11,176	6,122
Other	3,066	1,965
Total	**17,581**	**11,064**

G24 Prepaid expenses and accrued income

EURm	31 Dec 2014	31 Dec 2013
Accrued interest income	404	1,123
Other accrued income	487	477
Prepaid expenses	723	783
Total	**1,614**	**2,383**

G25 Deposits by credit institutions

EURm	31 Dec 2014	31 Dec 2013
Central banks	13,601	12,632
Banks	28,940	30,699
Other credit institutions	13,781	15,759
Total	**56,322**	**59,090**

G26 Deposits and borrowings from the public

EURm	31 Dec 2014	31 Dec 2013
Deposits[1]	168,682	168,029
Contracts where the return is based on separate assets	4,287	4,302
Repurchase agreements	24,285	28,412
Total	**197,254**	**200,743**

1) Deposits related to individual pension savings (IPS) are also included.

G27 Liabilities to policyholders

EURm	31 Dec 2014	31 Dec 2013
Traditional life insurance provisions	19,705	20,613
– of which guaranteed provisions	19,612	20,520
– of which non-guaranteed provisions	93	93
Collective bonus potential	3,732	2,897
Unit-linked insurance provisions	11,026	9,321
– of which guaranteed provisions	0	290
– of which non-guaranteed provisions	11,026	9,031
Insurance claims provision	387	420
Provisions, Health & personal accident	253	238
Total insurance contracts	**35,103**	**33,489**
Investment contracts	16,740	13,737
– of which guaranteed provisions	3,666	3,431
– of which non-guaranteed provisions	13,074	10,306
Total	**51,843**	**47,226**

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 measures and recognises insurance contracts using local accounting policies.

31 Dec 2014, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit–linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**20,613**	**2,897**	**9,321**	**420**	**238**	**13,737**	**47,226**
Gross premiums written	878	—	1,797	—	—	4,473	7,148
Transfers	–822	—	152	—	—	–749	–1,419
Addition of interest/ investment return	454	—	468	—	—	1,345	2,267
Claims and benefits	–2,004	—	–990	–29	5	–1,539	–4,557
Expense loading including addition of expense bonus	–110	—	–79	—	—	–89	–278
Change in provisions/ bonus potential	0	915	0	—	13	—	928
Other	1,042	0	373	—	—	18	1,433
Translation differences	–346	–80	–16	–4	–3	–456	–905
Provisions/bonus potentials, end of year	**19,705**	**3,732**	**11,026**	**387**	**253**	**16,740**	**51,843**
Provision relating to bonus schemes/ discretionary participation feature:	95%					17%	

31 Dec 2013, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit–linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**23,399**	**1,924**	**7,169**	**463**	**259**	**12,106**	**45,320**
Gross premiums written	1,090	—	1,571	—	—	3,615	6,276
Reclassification to liabilities held for sale	–6	—	–188	–13	–4	–305	–516
Transfers	–729	—	748	—	—	–484	–466
Addition of interest/investment return	523	—	413	—	—	1,119	2,055
Claims and benefits	–2,377	—	–641	–24	–4	–1,866	–4,912
Expense loading including addition of expense bonus	–113	—	–64	—	—	–83	–260
Change in provisions/bonus potential	0	1,027	0	—	–9	—	1,018
Other	–501	–12	352	—	—	7	–153
Translation differences	–673	–42	–39	–6	–4	–372	–1,136
Provisions/bonus potentials, end of year	**20,613**	**2,897**	**9,321**	**420**	**238**	**13,737**	**47,226**
Provision relating to bonus schemes/ discretionary participation feature:	94%					20%	

G27 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

	31 Dec 2014		31 Dec 2013[3]	
Sensitivites EURm	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]
Mortality – increased living with 1 year	68.3	–52.6	74.6	–57.4
Mortality – decreased living with 1 year	–1.3	0.9	–6.6	5.1
Disability – 10% increase	27.7	–21.3	28.1	–21.6
Disability – 10% decrease	–16.1	12.4	–13.8	10.6
50 bp increase in interest rates	–915.0	–7.6	–794.2	–20.4
50 bp decrease in interest rates	1,001.7	4.7	851.6	13.3
12% decrease in all share prices	–1,684.3	–1.8	–1,587.1	–1.5
8% decrease in property value	–240.3	–0.7	–275.2	–0.6
8% loss on counterparts	–31.7	0.0	–7.1	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) + (minus) indicates that equity decrease.
3) The methodology for calculating the sensitivites and the effects has been changed. The figures for 2013 have been restated.

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

31 Dec 2014, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4pct.	Over 4 pct.	Total liabilities
Technical provision	24,194	2,236	7,854	5,391	3,966	3,830	47,471

31 Dec 2013, EURm	Non	0 pct.	0 to 2 pct.	2 to 3pct.	3 to 4pct	Over 5 pct.	Total liabilities
Technical provision	19,429	3,885	6,896	5,339	4,015	4,107	43,671

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

For investments where the customer is bearing the risk, see Note G44.

G28 Debt securities in issue

EURm	31 Dec 2014	31 Dec 2013
Certificates of deposit	22,926	16,329
Commercial papers	30,133	35,975
Covered bonds	98,986	92,188
Other bonds	42,155	41,020
Other	74	90
Total	**194,274**	**185,602**

G29 Other liabilities

EURm	31 Dec 2014	31 Dec 2013
Liabilities on securities settlement proceeds	3,085	2,458
Sold, not held, securities	6,903	10,995
Accounts payable	174	186
Cash/margin payables	10,061	5,867
Other	6,750	5,231
Total	**26,973**	**24,737**

G30 Accrued expenses and prepaid income

EURm	31 Dec 2014	31 Dec 2013
Accrued interest	45	1,999
Other accrued expenses	1,589	1,331
Prepaid income	309	347
Total	**1,943**	**3,677**

G31 Provisions

EURm	31 Dec 2014	31 Dec 2013
Reserve for restructuring costs	167	89
Transfer risk, off-balance	10	12
Individually assessed guarantees and other commitments	62	49
Tax	1	2
Other	65	25
Total	**305**	**177**

EURm	Restructuring	Transfer risk	Guarantees/ commitments	Tax	Other	Total
At beginning of year	89	12	49	2	25	177
New provisions made	183	4	103	1	17	308
Provisions utilised	–51	—	–5	–1	–4	–61
Reversals	–34	–6	–87	–1	–4	–132
Reclassifications	–17	—	0	—	31	14
Translation differences	–3	0	2	0	0	–1
At end of year	**167**	**10**	**62**	**1**	**65**	**305**

Provisions for restructuring costs amounts to EUR 167m and covers termination benefit (EUR 144m) and other provisions mainly related to redundant premises (EUR 23m). The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this Nordea plans to reduce the number of employees, partly through close down of branches. The majority of the provision is expected to be used during 2015–2016. As with any other provision there is an uncertainty around timing and amount, which is expected to decrease as the plan is being executed.

Provision for Transfer risk of EUR 10m 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 G13. 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 62m.

Provision for legal disputes amounts to EUR 4m (EUR 4m expected to be settled 2015) and other provisions to EUR 61m (EUR 59m expected to be settled 2015).

G32 Retirement benefit obligations

EURm	31 Dec 2014	31 Dec 2013
Defined benefit plans, net	498	13
Total	**498**	**13**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follows the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follows the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus. Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to secure the level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumption. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

No significant plan amendments, curtailments and settlements have been made during the year.

IAS 19 pension calculations and assumptions

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

Assumptions[1]	Swe	Nor	Fin	Den
2014				
Discount rate[2]	2.50%	2.50%	2.00%	2.25%
Salary increase	2.50%	3.00%	2.00%	2.50%
Inflation	1.50%	1.75%	1.50%	1.50%
Mortality	DUS06	GAP07/173	Gompertz	FSA
2013				
Discount rate[2]	3.75%	4.00%	3.50%	3.50%
Salary increase	2.50%	3.00%	2.50%	2.50%
Inflation	1.50%	2.00%	1.50%	2.00%
Mortality	DUS06	GAP07/173	Gompertz	FSA

1) The assumptions disclosed for 2014 have an impact on the liability calculation by year-end 2014, while the assumptions disclosed for 2013 are used for calculating the pension expense in 2014.

2) More information on the discount rate can be found in Note G1, section 22. The sensitivities to changes in the discount rate can be found below.

Sensitivities – Impact on Defined Benefit Obligation (DBO) %	Swe	Nor	Fin	Den
Discount rate – Increase 50bps	–8.0%	–7.2%	–7.2%	–5.2%
Discount rate – Decrease 50bps	9.2%	8.1%	8.1%	5.7%
Salary increase – Increase 50bps	2.8%	2.7%	0.4%	5.6%
Salary increase – Decrease 50bps	–1.8%	–2.5%	–0.4%	–5.2%
Inflation – Increase 50bps	8.1%	6.6%	4.7%	—
Inflation – Decrease 50bps	–7.0%	–6.0%	–4.3%	—
Mortality – Increase 1 year	3.5%	3.3%	2.9%	5.1%
Mortality – Decrease 1 year	–3.5%	–3.2%	–2.8%	–4.9%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2013 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

As all pensions in Denmark are salary indexed, the inflation has no impact on the DBO in Denmark.

G32 Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2014	Nor 2014	Fin 2014	Den 2014	Total 2014	Total 2013
Obligations	1,663	968	985	111	3,727	3,130
Plan assets	1,497	636	972	124	3,229	3,117
Net liability(–)/asset(+)	**–166**	**–332**	**–13**	**13**	**–498**	**–13**
– of which retirement benefit liabilities	166	332	33	9	540	334
– of which retirement benefit assets	—	—	20	22	42	321

Movements in the obligation

EURm	Swe 2014	Nor 2014	Fin 2014	Den 2014	Total 2014	Total 2013
Opening balance	1,368	829	818	115	3,130	3,452
Current service cost	23	17	3	0	43	49
Interest cost	50	31	29	4	114	118
Pensions paid	–68	–32	–43	–9	–152	–162
Past service cost and settlements	22	25	0	–15	32	–6
Remeasurement from changes in demographic assumptions	—	—	—	1	1	4
Remeasurement from changes in financial assumptions	300	165	181	14	660	–102
Remeasurement from experience adjustments	15	–9	–10	1	–3	–26
Translation differences	–91	–81	7	0	–165	–162
Change in provision for SWT/SSC[1]	44	23	—	—	67	–35
Closing balance	**1,663**	**968**	**985**	**111**	**3,727**	**3,130**
– of which relates to the active population	34%	47%	10%	—	30%	

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 16 years in Sweden, 15 years in Norway, 14 years in Finland and 10 years in Denmark based on discounted cash flows. The fact that all DBPs are closed for new entrants and that there are no active members in Denmark, and to some extent also in Finland, leads to lower duration.

Movements in the fair value of plan assets

EURm	Swe 2014	Nor 2014	Fin 2014	Den 2014	Total 2014	Total 2013
Opening balance	1,412	650	927	128	3,117	3,125
Interest income (calculated using the discount rate)	52	26	32	5	115	111
Pensions paid	—	–17	–43	–7	–67	–69
Settlements	—	8	—	–13	–5	0
Contributions by employer	0	5	7	2	14	67
Refund to employer	—	—	–21	—	–21	—
Remeasurement (actual return less interest income)	118	18	62	9	207	16
Translation differences	–85	–54	8	0	–131	–133
Closing balance	**1,497**	**636**	**972**	**124**	**3,229**	**3,117**

Asset composition

The combined return on assets in 2014 was 10.3% (4.1%). The assets return was driven particularly by strong return on long dated sovereign bonds. Other assets including equity investments, real estate and credit investments also contributed positively. At the end of the year the equity exposure in pension funds/foundations represented 26% (25%) of total assets.

G32 Retirement benefit obligations, cont.

Asset composition in funded schemes	Swe 2014	Nor 2014	Fin 2014	Den 2014	Total 2014	Total 2013
Bonds	72%	55%	60%	82%	66%	65%
– sovereign	35%	44%	42%	48%	39%	38%
– covered bonds	26%	11%	4%	34%	18%	17%
– corporate bonds	11%	0%	14%	0%	9%	10%
– issued by Nordea entities	—	—	—	—	—	3%
– with quoted market price in an active market	72%	55%	60%	82%	66%	65%
Equity	26%	28%	27%	14%	26%	25%
– domestic	8%	7%	9%	14%	8%	8%
– european	7%	9%	7%	—	7%	7%
– US	7%	8%	7%	—	7%	6%
– emerging	4%	4%	4%	—	4%	4%
– Nordea share	1%	—	—	—	0%	—
– with quoted market price in an active market	26%	28%	27%	14%	26%	25%
Real estate[1]	—	12%	10%	—	5%	7%
– occupied by Nordea	—	—	3%	—	1%	1%
Cash and cash equivalents	2%	5%	3%	4%	3%	3%

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

The Group expects to contribute EUR 34m to its defined benefit plans in 2015.

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 99m (EUR 61m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7).

Recognised in the income statement, EURm	Swe 2014	Nor 2014	Fin 2014	Den 2014	Total 2014	Total 2013
Current service cost	23	17	3	0	43	49
Net interest	–2	5	–3	–1	–1	7
Past service cost and settlements[1]	22	18	0	–2	38	–6
SWT/SSC[2]	13	6	—	—	19	11
Pension cost on defined benefit plans (expense+/income–)	**56**	**46**	**0**	**–3**	**99**	**61**

1) The past service cost 2014 mainly regards termination benefits in connection to the cost efficiency programme launched in the second quarter.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2013, excluding past service cost and related SWT and SSC, the pension cost has decreased in 2014. Mainly as a consequence of the change of actuarial assumptions at the end of 2013.

Recognised in other comprehensive income, EURm	Swe 2014	Nor 2014	Fin 2014	Den 2014	Total 2014	Total 2013
Remeasurement from changes in demographic assumptions	—	—	—	1	1	4
Remeasurement from changes in financial assumptions	300	165	181	14	660	–102
Remeasurement from experience adjustments	15	–9	–10	1	–3	–26
Remeasurement of plan assets (actual return less interest income)	–118	–18	–62	–9	–207	–16
SWT/SSC[1]	48	19	0	0	67	–15
Pension cost on defined benefit plans (expense+/income–)	**245**	**157**	**109**	**7**	**518**	**–155**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G32 Retirement benefit obligations, cont.

Multiemployer plans

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 defined benefit plan that cannot be calculated as such, 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 defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well as provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2014 is 2.2% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages and base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2014 amount to EUR 3m. Payments to the plan during 2014 covered 2,975 employees. The premium rate for 2015 will be 2.4% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premium in 2015 amounts to EUR 3m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 30m (EUR 35m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2014 were EUR 2m (EUR 2m). Complete information concerning key management personnel is disclosed in Note G7.

G33 Subordinated liabilities

EURm	31 Dec 2014	31 Dec 2013
Dated subordinated debenture loans	4,434	4,107
Undated subordinated debenture loans	1,557	574
Hybrid capital loans	1,951	1,864
Total	**7,942**	**6,545**

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.

G34 Assets pledged as security for own liabilities

EURm	31 Dec 2014	31 Dec 2013
Assets pledged for own liabilities		
Securities etc[1]	19,571	19,944
Loans to the public	130,539	128,766
Other assets pledged	12,931	25,708
Total	**163,041**	**174,418**

The above pledges pertain to the following liabilities		
Deposits by credit institutions	8,620	9,892
Deposits and borrowings from the public	8,618	11,681
Derivatives	10,667	5,990
Debt securities in issue	98,547	92,176
Other liabilities and commitments	19,971	20,203
Total	**146,423**	**139,942**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43, Transferred assets and obtained collaterals.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

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 assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35 Other assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 11,247m (EUR 7,412m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

G36 Contingent liabilities

EURm	31 Dec 2014	31 Dec 2013
Guarantees		
– Loan guarantees	4,811	3,560
– Other guarantees	15,027	15,409
Documentary credits	2,102	1,831
Other contingent liabilities	77	70
Total	**22,017**	**20,870**

In the normal business Nordea 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 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 group undertakings 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, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on the Group or its financial position.

G37 Commitments

EURm	31 Dec 2014	31 Dec 2013
Unutilised overdraft facilities	38,234	44,053
Loan commitments	36,057	34,279
Future payment obligations	722	422
Other commitments	922	845
Total	**75,935**	**79,599**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2014 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 2014. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1, section 24, about derivatives, see Note G17 and about reverse repos, see Note G43.

G38 Capital adequacy

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

CRD IV/CRR require higher capitalisation levels and better quality of 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 in periods of stress and the introduction of liquidity standards. CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries on the first of January 2014.

The Basel III framework is built on three Pillars:
- Pillar I – requirements for the calculation of REA and Capital
- Pillar II – rules for the Supervisory Review Evaluation Process (SREP) including the Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar III – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2015, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

The disclosures in this note cover the Nordea Group as defined on page 133.

Own funds

Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both common equity Tier 1 (CET1) and additional Tier 1 capital.

Tier 1 capital

Tier 1 capital is the sum of common equity tier 1 capital and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Due to the implementation of CRR, deduction that according to previous rules were made 50 % from Tier 1 and 50 % from tier 2 are now fully deducted from common equity tier 1. Furthermore, CRR also changes the treatment of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, which are now risk weighted instead of deducted from Tier 1 and Tier 2.

Additional Tier 1 capital items consist of additional Tier 1 instruments and the related share premium.

Additional Tier 1 instruments

Additional Tier 1 instruments are subordinated capital instruments that rank senior only to share capital. CRR specifies the necessary characteristics required for inclusion in additional Tier 1 capital. The instruments are loss-absorbing from a going concern perspective as coupons can be cancelled at any time at the full discretion of the issuer and the principal will be written down if the Common Equity Tier 1 capital ratio would fall below a pre-defined trigger level. The instruments may only be repaid with the permission from the Swedish FSA and not earlier than five years after original issuance of the instrument. Additional Tier 1 instruments that fulfil the CRR requirements are fully included whereas remaining instruments are phased out according to transitional rules.

Tier 2 capital

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

Tier 2 instruments

Tier 2 instruments are subordinated instruments. The basic principle for subordinated instruments in own funds is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated instrument would be repaid after other creditors, but before shareholders. Tier 2 instruments can be dated or undated instruments. According to the regulation, Tier 2 instruments that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The inclusion of outstanding Tier 2 instruments in the Tier 2 capital is reduced if the remaining maturity is less than five years. During 2014, Nordea redeemed one Tier 2 instrument of EUR 468m. As of year-end, Nordea held EUR 4.3bn in dated subordinated instruments and EUR 3.5bn in undated subordinated instruments.

The tables below shows the main features of outstanding Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.

G38 Capital adequacy, cont.

Table A2 Transitional own funds

	Common Equity Tier 1 capital: instruments and reserves	(A) amount at disclosure date, EURm	(C) amounts subject to pre- regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	—
	of which: Share capital	4,050	—
2	Retained earnings	21,198	—
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–318	—
5	Minority interests (amount allowed in consolidated CET1)	0	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	558	—
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**26,567**	**—**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–272	—
8	Intangible assets (net of related tax liability) (negative amount)	–2,584	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	0	—
11	Fair value reserves related to gains or losses on cash flow hedges	–5	—
12	Negative amounts resulting from the calculation of expected loss amounts	–344	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–49	—
15	Defined-benefit pension fund assets (negative amount)	–33	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–6	—
25	of which: deferred tax assets arising from temporary differences	0	—
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	—
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–453	5
	Of which: … filter for unrealised loss 1	0	—
	Of which: … filter for unrealised gain 1	–453	—
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–3,747**	**—**
29	**Common Equity Tier 1 (CET1) capital**	**22,821**	**—**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	1,224	—
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	1,576	447
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,800**	**—**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–32	—
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	0
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–32**	**—**
44	**Additional Tier 1 (AT1) capital**	**2,768**	**—**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**25,588**	**—**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	4,496	—
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	516	0
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	0
49	of which: instruments issued by subsidiaries subject to phase out	0	—
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,012**	**—**

G38 Capital adequacy, cont.

Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–46	—
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–505	—
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	—
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–551**	**—**
58	**Tier 2 (T2) capital**	**4,461**	**—**
59	**Total capital (TC = T1 + T2)**	**30,049**	**—**
60	**Total risk weighted assets**	**145,475**	**—**
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.7%	—
62	Tier 1 (as a percentage of risk exposure amount)	17.6%	—
63	Total capital (as a percentage of risk exposure amount)	20.7%	—
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	2.5%	—
65	of which: capital conservation buffer requirement	2.5%	—
66	of which: countercyclical buffer requirement	0.0%	—
67	of which: systemic risk buffer requirement	0.0%	—
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	0.0%	—
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.2%	—
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	233	—
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	926	—
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	—
Applicable caps to the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	105,637	—
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	634	—
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	1,576	—
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–447	—
84	Current cap on T2 instruments subject to phase out arrangements	764	—
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	—

G38 Capital adequacy, cont.

Minimum capital requirement and REA

EURm	31 Dec 2014 Minimum Capital requirement	31 Dec 2014 REA	31 Dec 2013 Minimum Capital requirement	31 Dec 2013 REA
Credit risk	**9,522**	**119,029**	**10,376**	**129,705**
– of which counterparty credit risk	843	10,535	505	6,312
IRB	8,451	105,637	8,965	112,061
– of which corporate	5,743	71,792	6,787	84,844
– of which advanced	4,048	50,600	—	—
– of which foundation	1,695	21,192	6,787	84,844
– of which institutions	766	9,572	468	5,848
– of which retail	1,755	21,940	1,588	19,848
– of which secured by immovable property collateral	878	10,982	862	10,772
– of which other retail	792	9,897	622	7,778
– of which SME	85	1,061	104	1,298
– of which other	187	2,333	122	1,521
Standardised	1,071	13,392	1,411	17,644
– of which central governments or central banks	57	717	20	258
– of which regional governments or local authorities	17	211	14	170
– of which public sector entities	2	20	3	32
– of which multilateral development banks	—	—	—	—
– of which international organisations	—	—	—	—
– of which institutions	27	338	49	611
– of which corporate	154	1,921	301	3,768
– of which retail	255	3,181	476	5,949
– of which secured by mortgages on immovable properties	222	2,777	386	4,826
– of which in default	12	155	35	449
– of which associated with particularly high risk	53	666	—	—
– of which covered bonds	—	—	—	—
– of which institutions and corporates with a short-term credit assessment	—	—	—	—
– of which collective investments undertakings (CIU)	—	—	2	21
– of which equity	195	2,442	—	—
– of which other items	77	964	125	1,560
Credit Value Adjustment Risk	**185**	**2,308**	**—**	**—**
Market risk	**584**	**7,296**	**700**	**8,753**
– of which trading book, Internal Approach	312	3,898	410	5,131
– of which trading book, Standardised Approach	112	1,402	186	2,321
– of which banking book, Standardised Approach	160	1,996	104	1,301
Operational risk	**1,347**	**16,842**	**1,344**	**16,796**
Standardised	1,347	16,842	1,344	16,796
Sub total	**11,638**	**145,475**	**12,420**	**155,254**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	5,995	74,938	4,318	53,969
Total	**17,633**	**220,413**	**16,738**	**209,223**

Leverage ratio[1]	31 Dec 2014
Tier 1 capital, transitional definition, EURm[2]	25,382
Leverage ratio exposure, EURm	590,759
Leverage ratio, percentage	4.3

1) Leverage ratio and volumnes presented is based on three month average according to local FSA reporting process.
2) Including profit of the period.

G38 Capital adequacy, cont.

Capital requirements for market risk

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	958	77	1,114	89	—	—	2,072	166
Equity risk	285	23	277	22	—	—	562	45
Foreign exchange risk	333	27	—	—	1,996	160	2,329	187
Commodity risk	—	—	12	1	—	—	12	1
Settlement risk	—	—	0	0	0	0	0	0
Diversification effect	–633	–51	—	—	—	—	–633	–51
Stressed Value-at-Risk	1,850	148	—	—	—	—	1,850	148
Incremental Risk Measure	636	51	—	—	—	—	636	51
Comprehensive Risk Measure	468	37	—	—	—	—	468	37
Total	**3,897**	**312**	**1,403**	**112**	**1,996**	**160**	**7,296**	**584**

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

The Nordea Group may transfer capital within its legal entities without material restrictions. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of the Group. The guarantee schemes introduced within the EU in 2008 limit the transferability of capital under certain circumstances, which serves to impact cross-border financial groups. No such restrictions were however directly affecting Nordea as per end of 2014. More Capital Adequacy information for the Group can be found in the Capital management section page 63 and in the Pillar III report.

Table A3–A5 include disclosure of capital instruments' main features in accordance with §6.4 in FFFS 2014:18 and using the template in Annex II in article 3 in Commission implementing regulation (EU) No 1423/2013. Template items are excluded if not applicable.

Table A3 – Capital main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	SE0000427361
3	Governing law(s) of the instrument	Swedish
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpeptual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
	Coupons / dividends	
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

G38 Capital adequacy, cont.

Table A4 – Capital main features template – AT1

Additional Tier 1 instrument								
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	US65557AAB35/ USW5816FCM42	W5795#AB5	XS0453319039	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
Regulatory treatment								
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-) consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 484.4
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 138m	EUR 494m	EUR 69m	EUR 823m	EUR 816m	EUR 408m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m	USD 600m	JPY 10,000m	USD 1,000m	USD 1,000m	USD 500m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17–Sep–04	4–Mar–05	20–Apr–05	12–Oct–05	25–Sep–09	23–Sep–14	23–Sep–14
12	Perpeptual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes

G38 Capital adequacy, cont.

15	Optional call date, contingent call dates, and redemption amount	17-Sep-09 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-35 In addition tax/ regulatory call 100 per cent of nominal amount	20-Apr-15 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-35 In addition tax/ regulatory call 100 per cent of nominal amount	25-Mar-15 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-19 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-24 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar and 17-Sep each year after first call date	4-Mar and 4-Sep each year after first call date	20-Jan, 20-Apr, 20-Jul and 20-Oct each year after first call date	12-Apr and 12-Oct each year after first call date	25-Mar and 25-Sep each year after first call date	23-Mar and 23-Sep each year after first call date	23-Mar and 23-Sep each year after first call date
Coupons/dividends								
17	Fixed or floating dividend/ coupon	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed 5.424 per cent per annum, until first call date, thereafter floating 3-month LIBOR +1.5875 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 8.375 per cent per annum until first call date, thereafter 5-year US Treasury +5.985 per cent per annum, until 25 March 2020, thereafter 5-year US Treasury +8.9775 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	Yes	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend pusher	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	Yes	Yes	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger (s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	To avoid liquidation	To avoid or remedy any breach of Applicable Banking Regulations, shareholders resolution	Group CET1 ratio <8 per cent Issuer CET1 ratio <5.125 per cent	Group CET1 ratio <8 per cent Issuer CET1 ratio <5.125 per cent
32	If write-down, full or partial	Full or Partially	Full or Partially	Full or Partially	Full or Partially	Full or Partially	Full or Partially	Full or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding Reconversion and Reinstatement made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group

G38 Capital adequacy, cont.

35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	No	No
37	If yes, specifiy non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up dividend stopper	No specified trigger level, step-up dividend pusher	N/A	N/A

Table A5 – Capital main features template – T2

Tier 2 instruments

1	Issuer	Nordea Bank Norge ASA	Nordea Bank Finland PLC	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Finnish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law
	Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/ (sub-) consolidated/ solo & (sub-)consolidated	Solo, sub-consolidated & consolidated	Solo, sub-consolidated & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 165m	EUR 69m	EUR 997m	EUR 747m	EUR 1,023m	EUR 748m	EUR 816m
9	Nominal amount of instrument	USD 200m	JPY 10,000m	EUR 1,000m	EUR 750m	USD 1,250m	EUR 750m	USD 1,000m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.803 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount

G38 Capital adequacy, cont.

10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	04-Nov-86	22-Aug-01	26-Mar-10	29-Sep-10	13-May-11	15-Feb-12	21-Sep-12
12	Perpeptual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26-Mar-20	29-Mar-21	13-May-21	15-Feb-22	21-Sep-22
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	18-Nov-91 In addition tax call 100 per cent of nominal amount	26-Feb-29 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	15-Feb-17 In addition tax call 100 per cent of nominal amount	Tax call/regulatory call, 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18-May and 18-Nov each year after first call date	26-Feb and 26-Aug each year after first call date	N/A	N/A	N/A	N/A	N/A
Coupons/dividends								
17	Fixed or floating dividend/coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4.50%	4.00%	4.875%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset fixed rate to Euro Swap Rate +3.15 per cent per annum	4.25%
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No	No

G38 Capital adequacy, cont.

35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	Yes	No	No	No	No	No
37	If yes, specifiy non-compliant features	N/A	Step-up	N/A	N/A	N/A	N/A	N/A

Specification of group undertakings 31 December 2014

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
Nordea Bank AB (publ)	**Nordea Bank Finland Plc**	**100**	**Finland**	**Purchase method**
Nordea Bank Finland Plc	Nordea Finance Finland Ltd	100	Finland	Purchase method
	Realia Holding Oy	25	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Purchase method
	Nordea Finance Estonia Ltd	100	Estonia	Purchase method
	Nordea Finance Latvia Ltd	100	Latvia	Purchase method
	Nordea Finance Lithuania Ltd	100	Lithuania	Purchase method
	NF Fleet Oy	20	Finland	Equity method
Nordea Finance Estonia Ltd	ALD Automotive Eesti AS	25	Estonia	Equity method
Nordea Finance Latvia Ltd	ALD Automotive SIA	25	Latvia	Equity method
Nordea Finance Lithuania Ltd	UAB ALD Automotive	25	Lithuania	Equity method
Nordea Bank Finland Plc	*Ancillary service undertakings*			
Nordea Bank AB (publ)	**Nordea Bank Norge ASA**	**100**	**Norway**	**Purchase method**
Nordea Bank Norge ASA	Nordea Eiendomskreditt AS	100	Norway	Purchase method
	Nordea Finans Norge AS	100	Norway	Purchase method
	Eksportfinans ASA	23	Norway	Purchase method
Nordea Finans Norge AS	NF Fleet AS	20	Norway	Equity method
Nordea Bank Norge ASA	*Ancillary service undertakings*			
Nordea Bank AB (publ)	**Nordea Bank Danmark A/S**	**100**	**Denmark**	**Purchase method**
Nordea Bank Danmark A/S	LR-Realkredit A/S	39	Denmark	Equity method
	Nordea Finans Danmark A/S	100	Denmark	Purchase method
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Purchase method
	NJK1 ApS	100	Denmark	Purchase method
	Swipp Holding ApS	30	Denmark	Equity method
	Bankernas Kontantservice A/S	20	Denmark	Equity method
	Fiona Asset Company A/S	100	Denmark	Purchase method
Nordea Finans Danmark A/S	Fleggaard Busleasing	39	Germany	Equity method
	NF Fleet A/S	20	Denmark	Equity method
	K/S UL 676	100	Denmark	Purchase method
	K/S UL 677	100	Denmark	Purchase method
	K/S UL 678	100	Denmark	Purchase method
	UL Transfer Aps	100	Denmark	Purchase method

G38 Capital adequacy, cont.

Specification over group undertakings 31 December 2014, cont.

Owner	Company name	Voting power of hold-ing, %	Domicile	Consolidation method
Nordea Finans Danmark A/S	UL International ApS	100	Denmark	Purchase method
	DT Finance K/S	100	Denmark	Purchase method
	BH Finance K/S	100	Denmark	Purchase method
	NAMIT 10 K/S	100	Denmark	Purchase method
	City 10 K/S	100	Denmark	Purchase method
	Tide Leasing 2012 K/S	100	Denmark	Purchase method
	LB12 K/S	100	Denmark	Purchase method
	BAAS 2012 K/S	100	Denmark	Purchase method
Nordea Bank Danmark A/S	*Ancillary service undertakings*			
Nordea Bank AB (publ)	**OOO Promyshlennaya Companiya Vestkon**	**100**	**Russia**	**Purchase method**
OOO Promyshlennaya Companiya Vestkon / Nordea Bank AB (publ)	Join Stock Company Nordea Bank	100	Russia	Purchase method
Join Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Purchase method
Join Stock Company Nordea Bank	*Ancillary service undertakings*			
Nordea Bank AB (publ)	Nordea Hypotek AB (publ)	100	Sweden	Purchase method
	Nordea Finans Sverige AB (publ)	100	Sweden	Purchase method
	Nordea Investment Management AB	100	Sweden	Purchase method
	Bankomatcentralen AB	48	Sweden	Equity method
	Svenska e-fakturabolaget AB	50	Sweden	Equity method
	BDB Bankernas Depå AB	20	Sweden	Equity method
	BAB Bankernas Automatbolag AB	20	Sweden	Equity method
	Getswish AB (former Goldcup 8289)	20	Sweden	Equity method
	PK Properties Int'l Corp	100	USA	Purchase method
	Nordea Funds Ltd	100	Finland	Purchase method
Nordea Finans Sverige AB (publ)	NF Fleet AB	20	Sweden	Purchase method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Purchase method
	Nordea Investment Management AG	100	Germany	Purchase method
	Nordea Private Equity Holding A/S	100	Denmark	Purchase method
Nordea Private Equity Holding A/S	Nordea Private Equity I A/S	100	Denmark	Purchase method
	Nordea Private Equity II - Global A/S	100	Denmark	Purchase method
	Nordea Private Equity III - GLOBAL A/S	100	Denmark	Purchase method
	Nordea Private Equity II - EU Mezz A/S	100	Denmark	Purchase method
	Nordea Private Equity II - EU MM Buyout A/S	100	Denmark	Purchase method
	PWM Global PE III ApS	100	Denmark	Purchase method
Nordea Finans Sweden, Finland, Norway and Denmark	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ)	*Ancillary service undertakings*			
Nordea Bank AB (publ) / Nordea Investment Management AB	**Nordea Bank S.A.**	100	**Luxembourg**	**Purchase method**
Nordea Bank S.A.	Nordea Investment Funds S.A.	100	Luxembourg	Purchase method

G39 Classification of financial instruments

31 Dec 2014, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associates	Total
Assets								
Cash and balances with central banks	31,067	—	—	—	—	—	—	31,067
Loans to central banks	6,676	—	282	—	—	—	—	6,958
Loans to credit institutions	7,657	—	4,547	13	—	—	—	12,217
Loans to the public	246,862	—	49,517	51,706	—	—	—	348,085
Interest-bearing securities	—	2,630	34,418	18,541	—	31,521	—	87,110
Financial instruments pledged as collateral	—	—	12,151	—	—	—	—	12,151
Shares	—	—	8,445	31,300	—	4	—	39,749
Derivatives	—	—	102,279	—	2,840	—	—	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk	256	—	—	—	—	—	—	256
Investments in associated undertakings	—	—	—	—	—	—	487	487
Intangible assets	—	—	—	—	—	—	2,908	2,908
Properties and equipment	—	—	—	—	—	—	509	509
Investment properties	—	—	—	—	—	—	3,227	3,227
Deferred tax assets	—	—	—	—	—	—	130	130
Current tax assets	—	—	—	—	—	—	132	132
Retirement benefit assets	—	—	—	—	—	—	42	42
Other assets	4,590	—	—	11,176	—	—	1,815	17,581
Prepaid expenses and accrued income	1,123	—	4	—	—	—	487	1,614
Total	**298,231**	**2,630**	**211,643**	**112,736**	**2,840**	**31,525**	**9,737**	**669,342**

31 Dec 2014, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	23,806	3,220	—	29,296	—	56,322
Deposits and borrowings from the public	24,577	8,343	—	164,334	—	197,254
Liabilities to policyholders	—	16,741	—	—	35,102	51,843
Debt securities in issue	8,001	42,619	—	143,654	—	194,274
Derivatives	95,118	—	2,222	—	—	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	3,418	—	3,418
Current tax liabilities	—	—	—	—	368	368
Other liabilities	6,903	10,061	—	6,377	3,632	26,973
Accrued expenses and prepaid income	9	—	—	345	1,589	1,943
Deferred tax liabilities	—	—	—	—	983	983
Provisions	—	—	—	—	305	305
Retirement benefit liabilities	—	—	—	—	540	540
Subordinated liabilities	—	—	—	7,942	—	7,942
Total	**158,414**	**80,984**	**2,222**	**355,366**	**42,519**	**639,505**

G39 Classification of financial instruments, cont.

31 Dec 2013, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associates	Assets held for sale	Total
Assets									
Cash and balances with central banks	33,529	—	—	—	—	—	—	—	33,529
Loans to central banks	11,014	—	755	—	—	—	—	—	11,769
Loans to credit institutions	4,281	—	5,851	611	—	—	—	—	10,743
Loans to the public	250,026	—	39,159	53,266	—	—	—	—	342,451
Interest-bearing securities	—	5,359	33,985	19,968	—	28,002	—	—	87,314
Financial instruments pledged as collateral	—	—	9,575	—	—	—	—	—	9,575
Shares	—	—	7,683	25,584	—	4	—	—	33,271
Derivatives	—	—	69,003	—	1,989	—	—	—	70,992
Fair value changes of the hedged items in portfolio hedge of interest rate risk	203	—	—	—	—	—	—	—	203
Investments in associated undertakings	—	—	—	—	—	—	630	—	630
Intangible assets	—	—	—	—	—	—	3,246	—	3,246
Properties and equipment	—	—	—	—	—	—	431	—	431
Investment properties	—	—	—	—	—	—	3,524	—	3,524
Deferred tax assets	—	—	—	—	—	—	62	—	62
Current tax assets	—	—	—	—	—	—	31	—	31
Retirement benefit assets	—	—	—	—	—	—	321	—	321
Other assets	4,057	—	—	6,122	—	—	885	—	11,064
Prepaid expenses and accrued income	1,886	—	20	—	—	—	477	—	2,383
Assets held for sale	—	—	—	—	—	—	—	8,895	8,895
Total	**304,996**	**5,359**	**166,031**	**105,551**	**1,989**	**28,006**	**9,607**	**8,895**	**630,434**

31 Dec 2013, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Liabilities							
Deposits by credit institutions	23,064	2,743	—	33,283	—	—	59,090
Deposits and borrowings from the public	26,743	10,106	—	163,894	—	—	200,743
Liabilities to policyholders	—	13,737	—	—	33,489	—	47,226
Debt securities in issue	6,955	35,121	—	143,526	—	—	185,602
Derivatives	64,566	—	1,358	—	—	—	65,924
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	1,734	—	—	1,734
Current tax liabilities	—	—	—	—	303	—	303
Other liabilities	10,996	5,867	—	5,747	2,127	—	24,737
Accrued expenses and prepaid income	29	427	—	1,890	1,331	—	3,677
Deferred tax liabilities	—	—	—	—	935	—	935
Provisions	—	—	—	—	177	—	177
Retirement benefit liabilities	—	—	—	—	334	—	334
Subordinated liabilities	—	—	—	6,545	—	—	6,545
Liabilities held for sale	—	—	—	—	—	4,198	4,198
Total	**132,353**	**68,001**	**1,358**	**356,619**	**38,696**	**4,198**	**601,225**

G39 Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2014	31 Dec 2013
Carrying amount	51,719	53,877
Maximum exposure to credit risk	51,719	53,877
Carrying amount of credit derivatives used to mitigate the credit risk	–	–

Financial assets and liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk

The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk are issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 42,619m (EUR 35,121m), the funding of the Markets operation, EUR 17,337m (EUR 14,841m) deposits linked to the investment return of separate assets, EUR 4,287m (EUR 4,302m) and investment contracts in Life, EUR 16,741m (EUR 13,737m). 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 and assetslinked deposits 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 6m (increased EUR 16m) in 2014 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 592m (decrease EUR 596m). The method used to estimate the amount of changes in fair value attributable to changes in market conditions is 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.

Changes in fair values of financial assets attributable to changes in credit risk

Lending designated at fair value through profit or loss exposed to changes in credit risk consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 51,244m (EUR 48,829m) and lending in the Markets operation, EUR 475m (EUR 5,048m). The fair value of lending in Nordea Kredit Realkreditaktieselskab decreased by EUR 7m (increased EUR 9m) in 2014 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 153m (decrease EUR 160m). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant. Also instruments classified as "Other assets" and "Prepaid expenses and accrued income" are of such a short-term nature that the impact from changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

2014, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	80,984	79,198

2013, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	68,001	67,339

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.

G40 Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2014		31 Dec 2013	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	31,067	31,067	33,529	33,529
Loans	367,516	368,872	365,166	365,166
Interest-bearing securities	87,110	87,421	87,314	87,439
Financial instruments pledged as collateral	12,151	12,151	9,575	9,575
Shares	39,749	39,749	33,271	33,271
Derivatives	105,119	105,119	70,992	70,992
Other assets	15,766	15,766	10,179	10,179
Prepaid expenses and accrued income	1,127	1,127	1,906	1,906
Total	**659,605**	**661,272**	**611,932**	**612,057**
Financial liabilities				
Deposits and debt instruments	459,210	460,653	453,714	455,368
Liabilities to policyholders	16,741	16,741	13,737	13,737
Derivatives	97,340	97,340	65,924	65,924
Other liabilities	23,341	23,341	22,610	22,610
Accrued expenses and prepaid income	354	354	2,346	2,346
Total	**596,986**	**598,429**	**558,331**	**559,985**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

G40 Assets and liabilities at fair value, cont.

Financial assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2014, EURm	Quoted prices in active markets for the 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 at fair value on the balance sheet[1]							
Loans to central banks	—	—	282	—	—	—	282
Loans to credit institutions	—	—	4,560	7	—	—	4,560
Loans to the public	—	—	101,223	—	—	—	101,223
Interest-bearing securities[2]	54,724	12,805	41,598	6,936	279	53	96,601
Shares[3]	32,724	22,739	1,597	1,596	5,458	4,486	39,779
Derivatives	102	—	103,551	119	1,466	—	105,119
Investment properties	—	—	—	—	3,227	3,127	3,227
Other assets	—	—	11,176	—	—	—	11,176
Prepaid expenses and accrued income	—	—	4	—	—	—	4
Total	**87,550**	**35,544**	**263,991**	**8,658**	**10,430**	**7,666**	**361,971**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	—	—	27,026	1,541	—	—	27,026
Deposits and borrowings from the public	—	—	32,920	—	—	—	32,920
Liabilities to policyholders	—	—	16,741	16,741	—	—	16,741
Debt securities in issue	42,619	—	8,001	—	—	—	50,620
Derivatives	91	—	95,623	56	1,626	—	97,340
Other liabilities	4,667	—	12,297	—	—	—	16,964
Accrued expenses and prepaid income	—	—	9	—	—	—	9
Total	**47,377**	**—**	**192,617**	**18,338**	**1,626**	**—**	**241,620**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 12,121m relates to the balance sheet item Financial instruments pledged as collateral.
3 Of which EUR 30m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2013, EURm	Quoted prices in active markets for the 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 at fair value on the balance sheet[1]							
Loans to central banks	—	—	755	—	—	—	755
Loans to credit institutions	—	—	6,462	—	—	—	6,462
Loans to the public	—	—	92,425	—	—	—	92,425
Interest-bearing securities[2]	59,276	11,641	31,745	6,882	478	104	91,499
Shares[3]	28,004	18,995	1,457	1,454	3,841	2,842	33,302
Derivatives	195	128	69,361	26	1,436	—	70,992
Investment properties	—	—	—	—	3,524	3,367	3,524
Other assets	—	—	6,122	—	—	—	6,122
Prepaid expenses and accrued income	—	—	20	—	—	—	20
Total	**87,475**	**30,764**	**208,347**	**8,362**	**9,279**	**6,313**	**305,101**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	—	—	25,807	1,168	—	—	25,807
Deposits and borrowings from the public	—	—	32,547	—	—	—	32,547
Liabilities to policyholders	—	—	13,737	13,737	—	—	13,737
Debt securities in issue	35,121	—	6,955	—	—	—	42,076
Derivatives	35	—	64,490	—	1,399	—	65,924
Other liabilities	8,939	—	7,923	—	1	—	16,863
Accrued expenses and prepaid income	—	—	456	—	—	—	456
Total	**44,095**	**—**	**151,915**	**14,905**	**1,400**	**—**	**197,410**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 9,544m relates to the balance sheet item Financial instruments pledged as collateral.
3) Of which EUR 31m relates to the balance sheet item Financial instruments pledged as collateral.

G40 Assets and liabilities at fair value, cont.

Determination of fair value for items measured at fair value on the balance sheet

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

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

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds and investment properties. This is generally also the case for more complex OTC derivatives, including OTC derivatives where less active markets supply input to the valuation techniques or models, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

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

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

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

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

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices and thus categorised as Level 1 in the fair value hierarchy. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment.

An important part of the portfolio adjustment relates to counterparty risk in OTC-derivaives. The adjustment 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. Nordea also takes into account Nordea´s credit spread in the valuation of derivatives (DVA).

Another 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 fair value measurement of the investment properties takes into account a market participant´s ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the

G40 Assets and liabilities at fair value, cont.

investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 149m (EUR 2,893m) from Level 1 to Level 2 and EUR 1,290m (EUR 1,092m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transfered other liabilities of EUR 55m from Level 2 to Level 1. During 2013 Nordea transfered shares of EUR 966m and other liabilities of EUR 1,054m from Level 1 to Level 2. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have been actively traded during the year and reliable qouted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

Movements in Level 3

		Fair value gains/losses recognised in the income statement during the year								
2014, EURm	1 Jan 2014	Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers out of level 3	Translation differences	31 Dec 2014
Interest-bearing securities	478	8	10	–2	163	–373	–3	—	–2	279
– of which Life	104	5	5	—	19	–78	—	—	–2	53
Shares	3,841	388	313	—	2,417	–1,441	–22	–22	–16	5,458
– of which Life	2,842	324	238	—	2,332	–1,196	–15	–22	–17	4,486
Derivatives (net)	37	–488	–197	—	—	—	488	—	—	–160
Investment properties	3,524	–1	–3	—	267	–462	—	–33	–65	3,227
– of which Life	3,367	7	–3	—	241	–390	—	–33	–62	3,127
Other liabilities	1	—	—	—	—	–1	—	—	—	—

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During the year Nordea transferred shares of EUR 22m from Level 3 to Level 2. The reason for the transfer from Level 3 to Level 2 was that observable market data became available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G5). Assets and liabilities related to derivatives are presented net.

G40 Assets and liabilities at fair value, cont.

Movements in Level 3, cont.

			Fair value gains/losses recognised in the income statement during the year								
2013, EURm	1 Jan 2013	Reclassification	Realised	Unrealised	Purchases/ Issues	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Translation differences	31 Dec 2013
Interest-bearing securities	1,118	–498	–10	65	105	–277	–12	—	—	–13	478
– of which Life	719	–498	–14	–2	10	–97	–1	—	—	–13	104
Shares	3,374	498	299	62	967	–1,125	–72	2	–137	–27	3,841
– of which Life	2,210	498	251	52	808	–752	–69	2	–137	–21	2,842
Derivatives (net)	332	—	287	–300	—	—	–287	5	—	0	37
Investment properties	3,408	—	1	–41	502	–223	—	—	—	–123	3,524
– of which Life	3,261	—	1	–41	445	–179	—	—	—	–120	3,367
Other liabilities	—	—	–20	0	608	—	–608	21	—	—	1

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During the year Nordea transferred shares of EUR 137m from Level 3 to Level 2 and EUR 2m from Level 2 to Level 3. Nordea also transferred other liabilities of EUR 21m from Level 2 to Level 3. The reason for the transfer from Level 3 to Level 2 was that observable market data became available. The reason for the transfer from Level 2 to Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G5). Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

Financial instruments

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

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

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

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

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each enitity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G40 Assets and liabilities at fair value, cont.

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

31 Dec 2014, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	235	9	Discounted cash flows	Credit spread	–8/8
Corporates	44	44	Discounted cash flows	Credit spread	–3/3
Total	**279**	**53**			**–11/11**
Shares					
Private equity funds	2,328	1,820	Net asset value[3]		
Hedge funds	443	181	Net asset value[3]		
Credit Funds	487	377	Net asset value/market consensus[3]		
Other funds	1,970	1,950	Net asset value/Fund prices[3]		
Other	230	158	—		
Total	**5,458**	**4,486**			**–542/575**
Derivatives					
Interest rate derivatives	191	—	Option model	Correlations Volatilities	–13/9
Equity derivatives	–220	—	Option model	Correlations Volatilities Dividend	–18/12
Foreign exchange derivatives	–31	—	Option model	Correlations Volatilities	+/–0
Credit derivatives	–129	—	Credit derivat model	Correlations Recovery rates	–10/9
Other	29	—	Option model	Correlations Volatilities	+/–0
Total	**–160**	**—**			**–41/30**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.
2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.
3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by the EVCA (European Venture Capital Association). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 0% to 95% compared to the values received from suppliers/custodians.

The table above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

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

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

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending of the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

G40 Assets and liabilities at fair value, cont.

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

31 Dec 2013, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Municipalities and other public bodies	29	29	Discounted cash flows	Credit spread	+/–0
Mortgage and other credit institutions[2]	359	8	Discounted cash flows	Credit spread	–20/20
Corporates	82	67	Discounted cash flows	Credit spread	–4/4
Other	8	—	—	—	–1/1
Total	**478**	**104**			**–25/25**
Shares					
Private equity funds	2,298	1,770	Net asset value[3]		
Hedge funds	458	178	Net asset value[3]		
Credit Funds	460	362	Net asset value/market consensus[3]		
Other funds	431	403	Net asset value/Fund prices[3]		
Other	194	129	—		
Total	**3,841**	**2,842**			**–381/381**
Derivatives					
Interest rate derivatives	141	—	Option model	Correlations Volatilities	–7/5
Equity derivatives	–93	—	Option model	Correlations Volatilities Dividend	–17/11
Foreign exchange derivatives	103	—	Option model	Correlations Volatilities	+/–0
Credit derivatives	–129	—	Credit derivat model	Correlations Recovery rates	–7/9
Other	15	—	Option model	Correlations Volatilities	+/–0
Total	**37**	**—**			**–31/25**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.
2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.
3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by the EVCA (European Venture Capital Association). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 0% to 100% compared to the values received from suppliers/custodians.

G40 Assets and liabilities at fair value, cont.

31 Dec 2014, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Investment properties						
Denmark	1,656	1,645	Discounted cash flows	Market rent	26–377 EUR/m²/year	110 EUR/m²/year
				Yield requirement		
				Commercial	6.1%–9.0%	7.5%
				Office	4.6%–9.5%	6.0%
				Apartment	3.5%–6.0%	5.0%
Norway	774	767	Discounted cash flows	Market rent	25–1,166 EUR/m²/year	216 EUR/m²/year
				Yield requirement		
				Commercial	5.3%–8.5%	5.9%
				Office	5.0%–8.8%	6.3%
				Apartment	5.5%–5.5%	5.5%
				Other	7.3%–8.5%	7.8%
Finland	642	640	Discounted cash flows[2]	Market rent	89–327 EUR/m²/year	170 EUR/m²/year
				Yield requirement		
				Commercial	5.0%–7.0%	6.0%
				Office	5.0%–8.0%	6.5%
				Apartment	4.5%–6.0%	5.3%
				Other	6.5%–9.0%	7.8%
Sweden	75	75	Discounted cash flows[2]	Market rent	64–191 EUR/m²/year	126 EUR/m²/year
				Yield requirement		
				Commercial	6.3%–7.0%	6.7%
				Apartment	4.0%–4.5%	4.1%
				Other	7.0%–7.0%	7.0%
Other	80	—	Discounted cash flows	—	—	—
Total	**3,227**	**3,127**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.

G40 Assets and liabilities at fair value, cont.

31 Dec 2013, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Investment properties						
Denmark	1,752	1,735	Discounted cash flows	Market rent	54–350 EUR/m²/year	107 EUR/m²/year
				Yield requirement		
				Commercial	6.0%–9.0%	7.6%
				Office	4.6%–9.5%	6.1%
				Apartment	3.5%–6.3%	5.8%
Norway	899	875	Discounted cash flows	Market rent	85–850 EUR/m²/year	203 EUR/m²/year
				Yield requirement		
				Commercial	5.3%–8.5%	6.4%
				Office	5.7%–8.5%	6.5%
				Apartment	5.8%–6.5%	6.1%
				Other	6.0%–8.0%	7.3%
Finland	793	681	Discounted cash flows[2]	Market rent	88–324 EUR/m²/year	148 EUR/m²/year
				Yield requirement		
				Commercial	5.0%–7.0%	6.0%
				Office	5.0%–8.0%	6.5%
				Apartment	4.5%–6.0%	5.3%
				Other	6.5%–9.0%	7.8%
Sweden	76	76	Discounted cash flows[2]	Market rent	—	—
				Yield requirement		
				Commercial	6.8%–7.0%	6.8%
				Apartment	4.3%–4.3%	4.3%
				Other	5.0%–8.3%	6.5%
Other	4	—	Discounted cash flows	—	—	—
Total	**3,524**	**3,367**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see, Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

Deferred day 1 profit – derivatives EURm	31 Dec 2014	31 Dec 2013
Amount at beginning of year	38	24
Deferred profit/loss on new transactions	9	26
Recognised in the income statement during the year	–11	–12
Amount at end of year	**36**	**38**

G40 Assets and liabilities at fair value, cont.

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

	31 Dec 2014		31 Dec 2013		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	31,067	31,067	33,529	33,529	3
Loans	261,451	259,547	265,524	265,524	3
Interest-bearing securities	2,630	2,941	5,359	5,484	1, 2
Other assets	4,590	4,590	4,057	4,057	3
Prepaid expenses and accrued income	1,123	1,123	1,886	1,886	3
Total	**300,861**	**299,268**	**310,355**	**310,480**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	348,644	350,087	353,284	354,938	3
Other liabilities	6,377	6,377	5,747	5,747	3
Accrued expenses and prepaid income	345	345	1,890	1,890	3
Total	**355,366**	**356,809**	**360,921**	**362,575**	

Cash and balances with central banks
The fair value of “Cash and balances with central banks” is, due to its short term nature, assumed to equal the carrying amount and is thus categorised into Level 3 in the fair value hierarchy.

Loans
The fair value of “Loans to central banks”, “Loans to credit institutions” and “Loans to the public” have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Retail Banking and Wholesale Banking respectively.

The fair value adjustment on amortised cost loans calculated for disclosure purposes is negative by EUR 1,904m. The fair value adjustment calculated for disclosure purposes on all loans on the balance sheet (see page 137), including loans held at fair value mainly in the Danish group undertaking Nordea Kredit Realkreditaktieselskab (designated at fair value through profit or loss), is positive by EUR 1,356m. The disclosed fair value on loans designated at fair value through profit or loss differs from the carrying amount as the fair value disclosure disregards prepayment options in the lending in Nordea Kredit Realkreditaktieselskab. The correct carrying amount on the balance sheet includes also the fair value adjustment of the prepayment options embedded in the loans.

For the comparative figures 2013 the fair value has been calculated as the carrying amount adjusted for fair value changes in interest rate risk. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rates in the portfolios. No adjustment has been made for changes in fair value of credit risk in the comparative figures.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities
The fair value is EUR 2,941m (EUR 5,484m), of which EUR 27m (EUR 234m) is categorised in Level 1 and EUR 2,914m (EUR 5,250m) in Level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

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

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

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

G41 Financial instruments set off on balance or subject to netting agreements

31 Dec 2014, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	245,959	–141,572	104,387	–79,016	—	–11,994	13,377
Reverse repurchase agreements	49,352	—	49,352	–19,299	–29,605	—	448
Securities borrowing agreements	5,272	—	5,272	—	–5,272	—	0
Total	**300,583**	**–141,572**	**159,011**	**–98,315**	**–34,877**	**–11,994**	**13,825**

31 Dec 2014, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	237,562	–141,572	95,990	–79,016	—	–10,360	6,614
Repurchase agreements	44,488	—	44,488	–19,299	–23,559	—	1,630
Securities lending agreements	2,778	—	2,778	—	–2,778	—	0
Total	**284,828**	**–141,572**	**143,256**	**–98,315**	**–26,337**	**–10,360**	**8,244**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2013, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	128,855	–58,132	70,723	–56,104	–1	–5,739	8,879
Reverse repurchase agreements	45,704	—	45,704	–24,267	–21,053	—	384
Securities borrowing agreements	4,397	—	4,397	—	–4,397	—	0
Total	**178,956**	**–58,132**	**120,824**	**–80,371**	**–25,451**	**–5,739**	**9,263**

31 Dec 2013, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	122,388	–58,132	64,256	–56,104	—	–4,586	3,566
Repurchase agreements	49,744	—	49,744	–24,267	–21,821	—	3,656
Securities lending agreements	3,063	—	3,063	—	–3,063	—	0
Total	**175,195**	**–58,132**	**117,063**	**–80,371**	**–24,884**	**–4,586**	**7,222**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting in the case of default by its counter parties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see section Risk, Liquidity and Capital management, in the Board of Directors' report.

G42 Discontinued operations and disposal groups held for sale

EURm	2014	2013
Net interest income	28	154
Net fee and commission income	0	38
Other operating income	21	7
Total operating income	**49**	**199**
Total operating expenses	–53	–118
Net loan losses	–5	–26
Operating profit	**–9**	**55**
Income tax expense	–1	–13
Net profit for the period from discontinued operations	**–10**	**42**
Net result for the period recognised on the measurement at fair value	–19	1
Transaction and transition cost (including cost to sell)[1]	–10	–34
Net profit for the period from discontinued operations after measurement at fair value less cost to sell	**–39**	**9**

1) 2013: Income tax of EUR 9m deducted.

Balance sheet – Condensed[1]

EURm	31 Dec 2014	31 Dec 2013
Assets		
Loans to the public	—	6,144
Interest-bearing securities	—	1,534
Shares	—	385
Total other assets	—	832
Total assets held for sale	**—**	**8,895**
Liabilities		
Deposits by credit institutions	—	78
Deposits and borrowings from the public	—	3,384
Liabilities to policyholders	—	625
Total other liabilities	—	111
Total liabilities held for sale	**—**	**4,198**

1) Includes the external assets and liabilities held for sale. The external funding of the Polish operations that will remain subsequent to the transaction is not included.

The impact from discontinued operations on other comprehensive income and cash flows can be found in the statement of comprehensive income and the cash flow statement for the Group. The EPS for discontinued operations can be found in Note G12.

Discontinued operations and assets/liabilities held for sale relate to Nordea's divestment of its Polish banking, financing and life insurance operations, including Nordea Bank Polska S.A., Nordea Finance Polska S.A. and Nordea Polska Towarzystwo Ubezpieczen na Zycie S.A., to PKO Bank Polski. All regulatory approvals were received and the transaction closed during 2014. The operations have consequently been derecognised. The disposal group is excluded from Note 2 "Segment reporting" as this is not part of the reporting to the Chief Operating Decision Maker (CODM). The majority of the business was previously reported in the Retail Banking Poland segment. The impact from discontinued operations on other comprehensive income can be found in the statement of comprehensive income.

G43 Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

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

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

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

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

EURm	31 Dec 2014	31 Dec 2013
Repurchase agreements		
Interest-bearing securities	12,121	9,544
Securities lending agreements		
Shares	30	31
Total	**12,151**	**9,575**

Liabilities associated with the assets

EURm	31 Dec 2014	31 Dec 2013
Repurchase agreements		
Deposits by credit institutions	7,291	3,154
Deposits and borrowings from the public	4,659	6,654
Securities lending agreements		
Deposits by credit institutions	31	84
Total	**11,981**	**9,892**
Net	**170**	**–317**

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 2014	31 Dec 2013
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	47,165	44,908
– of which repledged or sold	36,676	38,503
Securities borrowing agreements		
Received collaterals which can be repledged or sold	5,469	3,341
– of which repledged or sold	2,969	3,341
Total	**52,634**	**48,249**

G44 Investments, customer bearing the risk

The Life Group and Nordea Bank Danmark A/S have assets and liabilities included on 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 on the Group's balance sheet.

EURm	31 Dec 2014	31 Dec 2013
Assets		
Interest-bearing securities	9,971	3,417
Shares	18,294	19,994
Other assets	860	1,501
Total assets	**29,125**	**24,912**
Liabilities		
Deposits and borrowings from the public	4,287	4,302
Insurance contracts	11,025	9,508
Investment contracts	13,813	11,102
Total liabilities	**29,125**	**24,912**

G45 Maturity analysis for assets and liabilities

Expected maturity

EURm	Note	31 Dec 2014 Expected to be recovered or settled: Within 12 months	After 12 months	Total	31 Dec 2013 Expected to be recovered or settled: Within 12 months	After 12 months	Total
Cash and balances with central banks		31,067	—	31,067	33,529	—	33,529
Loans to central banks	G13	6,958	—	6,958	11,769	—	11,769
Loans to credit institutions	G13	10,608	1,609	12,217	9,782	961	10,743
Loans to the public	G13	119,462	228,623	348,085	147,611	194,840	342,451
Interest-bearing securities	G14	20,095	67,015	87,110	18,736	68,578	87,314
Financial instruments pledged as collateral	G15	3,603	8,548	12,151	6,905	2,670	9,575
Shares	G16	10,823	28,926	39,749	10,162	23,109	33,271
Derivatives	G17	14,966	90,153	105,119	7,854	63,138	70,992
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	13	243	256	17	186	203
Investments in associated undertakings	G19	2	485	487	—	630	630
Intangible assets	G20	78	2,830	2,908	—	3,246	3,246
Properties and equipment		13	496	509	11	420	431
Investment properties	G22	12	3,215	3,227	74	3,450	3,524
Deferred tax assets	G11	57	73	130	35	27	62
Current tax assets		132	—	132	31	—	31
Retirement benefit assets	G32	0	42	42	1	320	321
Other assets	G23	17,553	28	17,581	11,046	18	11,064
Prepaid expenses and accrued income	G24	1,198	416	1,614	1,862	521	2,383
Assets held for sale	G42	—	—	—	8,895	—	8,895
Total assets		**236,640**	**432,702**	**669,342**	**268,320**	**362,114**	**630,434**
Deposits by credit institutions	G25	53,226	3,096	56,322	57,023	2,067	59,090
Deposits and borrowings from the public	G26	190,044	7,210	197,254	192,107	8,636	200,743
Liabilities to policyholders	G27	4,073	47,770	51,843	4,032	43,194	47,226
Debt securities in issue	G28	77,152	117,122	194,274	77,165	108,437	185,602
Derivatives	G17	13,557	83,783	97,340	8,457	57,467	65,924
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	351	3,067	3,418	117	1,617	1,734
Current tax liabilities		341	27	368	276	27	303
Other liabilities	G29	26,828	145	26,973	24,697	40	24,737
Accrued expenses and prepaid income	G30	1,909	34	1,943	3,616	61	3,677
Deferred tax liabilities	G11	145	838	983	134	801	935
Provisions	G31	215	90	305	60	117	177
Retirement benefit liabilities	G32	11	529	540	6	328	334
Subordinated liabilities	G33	—	7,942	7,942	360	6,185	6,545
Liabilities held for sale	G42	—	—	—	4,198	—	4,198
Total liabilities		**367,852**	**271,653**	**639,505**	**372,248**	**228,977**	**601,225**

G45 Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2014, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	21,618	117,658	52,743	154,129	245,499	591,647
Non interest-bearing financial assets	—	—	—	—	162,746	162,746
Non-financial assets	—	—	—	—	9,737	9,737
Total assets	**21,618**	**117,658**	**52,743**	**154,129**	**417,982**	**764,130**
Interest-bearing financial liabilities	128,160	139,785	63,412	98,666	49,086	479,109
Non interest-bearing financial liabilities	—	—	—	—	141,184	141,184
Non-financial liabilities and equity	—	—	—	—	72,356	72,356
Total liabilities and equity	**128,160**	**139,785**	**63,412**	**98,666**	**262,626**	**692,649**
Derivatives, cash inflow	—	416,856	127,842	228,299	75,117	848,114
Derivatives, cash outflow	—	435,736	126,093	217,485	75,285	854,599
Net exposure	**—**	**–18,880**	**1,749**	**10,814**	**–168**	**–6,485**
Exposure	**–106,542**	**–41,007**	**–8,920**	**66,277**	**155,188**	**64,996**
Cumulative exposure	**–106,542**	**–147,549**	**–156,469**	**–90,192**	**64,996**	**—**

31 Dec 2013, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	25,973	119,862	44,907	163,641	277,298	631,681
Non interest-bearing financial assets	—	—	—	—	117,167	117,167
Non-financial assets	—	—	—	—	9,607	9,607
Total assets	**25,973**	**119,862**	**44,907**	**163,641**	**404,072**	**758,455**
Interest-bearing financial liabilities	127,522	156,843	54,318	99,313	42,088	480,084
Non interest-bearing financial liabilities	—	—	—	—	107,086	107,086
Non-financial liabilities and equity	—	—	—	—	67,905	67,905
Total liabilities and equity	**127,522**	**156,843**	**54,318**	**99,313**	**217,079**	**655,075**
Derivatives, cash inflow	—	429,194	124,755	220,495	73,590	848,034
Derivatives, cash outflow	—	429,971	124,404	218,650	74,574	847,599
Net exposure	**—**	**–777**	**351**	**1,845**	**–984**	**435**
Exposure	**–101,549**	**–37,758**	**–9,060**	**66,173**	**186,009**	**103,815**
Cumulative exposure	**–101,549**	**–139,307**	**–148,367**	**–82,194**	**103,815**	**—**

The table is based on contractual maturities for the balance sheet items. 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 instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 74,291m (EUR 78,332m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 19,838m (EUR 18,969m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

G46 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.

	Associated undertakings		Other related parties[1]	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Assets				
Loans	594	464	—	0
Interest-bearing securities	59	120	—	—
Derivatives	224	147	—	—
Investments in associated undertakings	487	630	—	—
Total assets	**1,364**	**1,361**	**—**	**0**
Liabilities				
Deposits	215	142	36	109
Debt securities in issue	0	11	—	—
Derivatives	154	34	—	—
Total liabilities	**369**	**187**	**36**	**109**
Off balance[2]	**6,212**	**8,086**	**—**	**—**

	Associated undertakings		Other related parties[1]	
EURm	2014	2013	2014	2013
Net interest income	9	9	—	0
Net fee and commission income	5	6	1	1
Net result from items at fair value	–90	18	—	—
Other operating income	—	0	—	—
Total operating expenses	—	0	—	—
Profit before loan losses	**–76**	**33**	**1**	**1**

1) Shareholders with significant influence and close family members to key management personell in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risktaking, the transactions 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 22m. 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 17m, of which EUR 4m was utilised as of 31 December 2014. The latest maturity is 31 December 2015, with the possibility of yearly prolongation after a new credit review. The transaction is made on the same criteria and terms as those for comparable transactions with companies of similar standing.

In addition, Nordea has issued an equity guarantee limited to SEK 610m in favor of a related party. The equity guarantee is time limited up to the sooner of the Annual General Meeting of the related party for calendar year 2015, and Nordea no longer holding an equity interest in the party.

G47 Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2014, 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 Regulation (CRR). 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 2014	31 Dec 2013
On-balance sheet items	404,720	412,850
Off-balance sheet items	47,191	46,351
Securities financing	4,667	2,196
Derivatives	30,992	18,158
Exposure At Default (EAD)	**487,570**	**479,555**

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

Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRR. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note is divided between exposure classes where each exposure class is divided into exposure types as follows:

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

Items presented in other parts of the Annual Report, are divided as follows (in accordance with the accounting standards):

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

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

On-balance sheet items

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

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

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- Life insurance operations (due to solvency regulation).
- "Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing

The fair values of derivatives are recognised on the balance sheet, while nominal amounts on derivatives are reported off-balance in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

G47 Credit risk disclosures

On-balance sheet items

31 Dec 2014, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Life insurance operations	Other	Balance sheet
Cash and balances with central banks	31,067	—	—	—	—	31,067
Loans to credit institutions and central banks	14,030	—	4,822	326	–3	19,175
Loans to the public	300,926	—	49,515	—	–2,356	348,085
Interest-bearing securities and pledged instruments	53,432	24,181	—	21,648	—	99,261
Derivatives[1]	—	—	104,999	120	—	105,119
Intangible assets	—	—	—	324	2,584	2,908
Other assets and prepaid expenses	6,301	25,144	91	32,896	–705	63,727
Total assets	**405,756**	**49,325**	**159,427**	**55,314**	**–480**	**669,342**
Exposure at default[2]	**404,720**					

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 2013, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Life insurance operations	Other	Balance sheet restate-ment[3]	Balance sheet
Cash and balances with central banks	34,082	—	—	1	—	–554	33,529
Loans to credit institutions and central banks	15,421	—	6,605	546	17	–77	22,512
Loans to the public	307,207	4,388	39,159	—	–2,159	–6,144	342,451
Interest-bearing securities and pledged instruments	52,042	25,523	—	20,858	—	–1,534	96,889
Derivatives[1]	—	—	70,840	154	—	–2	70,992
Intangible assets	—	—	—	324	2,987	–65	3,246
Other assets and prepaid expenses	5,347	18,632	65	28,009	386	8,376	60,815
Total assets	**414,099**	**48,543**	**116,669**	**49,892**	**1,231**	**0**	**630,434**
Exposure at default[2]	**412,850**						

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.
3) Assets held for sale are disclosed separately in the balance sheet but are included line by line in original exposure.

Off-balance sheet items

31 Dec 2014, EURm	Credit risk in Basel II calculation	Life insurance operations	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	21,985	32	—	22,017
Commitments	75,032	875	28	75,935
Total	**97,017**	**907**	**28**	**97,952**

31 Dec 2014, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	50,777	437	51,214	48%	24,626
Checking accounts	18,161	3,960	22,121	50%	11,065
Loan commitments	6,091	7,246	13,337	36%	4,858
Guarantees	20,760	1	20,761	31%	6,335
Other	1,228	32	1,260	24%	307
Total	**97,017**	**11,676**	**108,693**		**47,191**

G47 Credit risk disclosures

31 Dec 2013, EURm	Credit risk in Basel II calculation	Life insurance operations	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	20,824	46	—	20,870
Commitments	79,012	547	40	79,599
Total	**99,836**	**593**	**40**	**100,469**

31 Dec 2013, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	51,607	68	51,675	47%	24,146
Checking accounts	18,975	4,400	23,375	23%	5,346
Loan commitments	8,294	7,129	15,423	31%	4,843
Guarantees	19,681	2	19,683	59%	11,669
Other	1,279	34	1,313	26%	347
Total	**99,836**	**11,633**	**111,469**		**46,351**

Exposure classes split by exposure type
As of year-end 2014, 80% of the total credit risk exposure was calculated using the IRB approach. The main part of the exposure is within the IRB corporate and IRB retail portfolios.

During 2014, total exposures increased primarily due to higher exposures in the retail and institutions portfolios. Derivative exposures, especially within the corporate portfolio, significantly increased during the year due to market movements.

31 Dec 2014, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	67,781	1,502	932	5,338	75,553
Institutions	37,940	968	2,751	9,994	51,653
Corporate	126,683	31,251	751	15,078	173,763
Retail	163,051	13,263	—	141	176,455
Other	9,265	207	233	441	10,146
Total exposure	**404,720**	**47,191**	**4,667**	**30,992**	**487,570**

31 Dec 2013, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,719	1,951	147	3,232	84,049
Institutions	34,694	1,255	1,218	5,667	42,834
Corporate	127,638	34,044	739	8,234	170,655
Retail	158,228	9,077	1	96	167,402
Other	13,571	24	91	929	14,615
Total exposure	**412,850**	**46,351**	**2,196**	**18,158**	**479,555**

Exposure split by geography and exposure classes
Nordea is geographically well diversified and as of end 2014, no market accounts for more than 26% of the total exposure. The exposure in Sweden and Finland represents 23% and 17% of the total exposure in the Group respectively, while Denmark accounts for 26% and Norway 14%. Exposures in the US constitute 7% of the total portfolio, whereas Russia's impact remains at 1% of the total exposures.

G47 Credit risk disclosures

31 Dec 2014, EURm	Nordic countries	– of which Denmark	– of which Finland	– of which Norway	– of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	36,204	11,294	13,261	3,222	8,427	1,254	498	28,514	9,083	75,553
Institutions	33,668	16,557	2,853	4,693	9,565	179	404	1,406	15,996	51,653
Corporate	140,586	44,457	26,265	30,940	38,924	5,501	4,505	1,970	21,201	173,763
Retail	170,596	53,023	38,982	27,986	50,605	3,237	343	4	2,275	176,455
Other[1]	6,283	1,059	1,402	979	2,843	252	111	145	3,355	10,146
Total exposure	**387,337**	**126,390**	**82,763**	**67,820**	**110,364**	**10,423**	**5,861**	**32,039**	**51,910**	**487,570**

31 Dec 2013, 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	55,891	15,252	19,862	6,161	14,616	729	1,118	207	26,104	84,049
Institutions	38,759	6,306	14,862	5,957	11,634	148	971	299	2,657	42,834
Corporate	148,606	37,447	37,839	33,619	39,701	5,568	1,903	4,324	10,254	170,655
Retail	166,080	52,002	36,040	28,719	49,319	963	211	64	84	167,402
Other[1]	7,272	1,438	2,830	765	2,239	2,384	4,005	464	490	14,615
Total exposure	**416,608**	**112,445**	**111,433**	**75,221**	**117,509**	**9,792**	**8,208**	**5,358**	**39,589**	**479,555**

1) Including exposures secured by real estate.

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (i.e. statistical classification codes of economic activities in the European community).

The Other, public and organisations is the largest industry which together with Other financial institutions and Real estate management and investment industries are the only ones that account for more than 3% of the total exposure of EUR 488bn. During the year, exposures to Other, public and organisations decreased the most in nominal terms, while Telecommunication equipment saw the largest relative decrease. The largest nominal and relative increase occurred in Other financial institutions industry.

EURm	31 Dec 2014	31 Dec 2013
Construction and engineering	5,179	5,805
Consumer durables (cars, appliances etc)	4,713	4,803
Consumer staples (food, agriculture etc)	14,447	13,735
Energy (oil, gas etc)	4,745	4,879
Health care and pharmaceuticals	2,141	2,070
Industrial capital goods	4,250	5,242
Industrial commercial services	14,413	15,389
IT software, hardware and services	2,226	1,881
Media and leisure	2,861	3,188
Metals and mining materials	1,098	1,038
Other financial institutions	68,383	54,964
Other materials (chemical, building materials etc)	8,180	8,491
Other, public and organisations	264,218	268,296
Paper and forest material	2,718	3,056
Real estate management and investment	47,149	44,526
Retail trade	13,378	12,657
Shipping and offshore	12,160	12,790
Telecommunication equipment	261	468
Telecommunication operators	1,742	2,019
Transportation	4,566	5,121
Utilities distribution and production	8,742	9,137
Total exposure	**487,570**	**479,555**

G47 Credit risk disclosures

Exposure secured by collaterals, guarantees and credit derivatives

The guarantees used as credit risk mitigation are to a large extent issued by central and regional governments in the Nordic countries. Banks and insurance companies are also important guarantors of credit risk. Only eligible providers of guarantees and credit derivatives can be recognised in the standardised and IRB approach for credit risk. All central governments, regional governments and institutions are eligible as well as some multinational development banks and international organisations. Corporate guarantees that have a credit assessment by an ECAI or in the case of institutions calculating risk wighted exposure amounts and expected loss amount under the IRB approach and are internally rated by the institutions are also eligible.

Central governments and municipalities guarantee approximately 53% of the total guaranteed exposure. Exposure guarantee by these guarantors has an average risk weight of 0%. 2% of the total guaranteed exposure is guaranteed by IRB institutions. The remainder is guaranteed by IRB corporate guarantors. Credit derivatives are only used as credit risk protection to a very limited extent since the credit portfolio is considered to be well diversified.

31 Dec 2014, EURm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	73,966	75,553	501	—
Institutions	54,139	51,653	524	543
Corporate	224,415	173,763	12,050	63,637
Retail	187,169	176,455	1,706	136,550
Other[1]	10,640	10,146	16	42
Total exposure	**550,329**	**487,570**	**14,797**	**200,772**

31 Dec 2013, EURm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	81,444	84,049	477	1
Institutions	45,067	42,834	703	350
Corporate	225,782	170,655	8,482	65,176
Retail	178,595	167,402	2,786	132,753
Other[1]	15,247	14,615	4	7,360
Total exposure	**546,135**	**479,555**	**12,452**	**205,640**

1) Including exposures secured by real estate.

Collateral distribution

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate to constitute a major share of eligible collateral items in relative terms; real estate is commonly used as collateral for credit risk mitigation purposes. The relative share of other physical collateral increased during the year while real estate collaterals decreased in relative terms. There is no certain concentration of real estate collateral to any particular region within the Nordic and Baltic countries. Other physical collateral consist mainly of ships.

	31 Dec 2014	31 Dec 2013
Financial Collateral	1.4%	1.4%
Receivables	0.9%	1.1%
Residential Real Estate	71.9%	72.6%
Commercial Real Estate	17.5%	18.5%
Other Physical Collateral	8.3%	6.4%
Total	**100.0%**	**100.0%**

G47 Credit risk disclosures

Loan-to-value distribution

A common way to analyse the value of the collateral is to measure the loan to value (LTV) ratio, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV range up to the top LTV bucket based on the LTV ratio. In 2014, the retail mortgage exposure decreased in the LTV buckets, with relative share of each LTV bucket remaining stable.

	31 Dec 2014		31 Dec 2013	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	98.2	77	99.2	77
50–70%	20.8	16	20.9	16
70–80%	5.4	4	5.5	4
80–90%	2.1	2	2.1	2
>90%	1.1	1	1.2	1
Total	**127.6**	**100**	**128.9**	**100**

Collateralised Debt Obligations (CDO) – Exposure[1]

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and syntehetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivatives transactions create counterparty credit risk in similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements. CDO valuations are subject to fair value adjustments for model risk. These fair value adjustments are recognised in the income statement.

	31 Dec 2014		31 Dec 2013	
Nominal, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	1,204	2,155	1,266	1,985
Hedged exposures	1,005	1,005	965	966
CDOs, net[2]	**199[3]**	**1,150[4]**	**301[3]**	**1,019[4]**
– of which Equity	20	355	57	328
– of which Mezzanine	98	512	108	440
– of which Senior	81	283	136	251

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 47m (EUR 47m) and net sold protection to EUR 46m (EUR 18m). 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 54m (EUR 150m) and sub investment grade EUR 145m (EUR 151m).
4) Of which investment grade EUR 457m (EUR 401m) and sub investment grade EUR 600m (EUR 302m) and not rated EUR 93m (EUR 316m).

Assets taken over for protection of claims[1]

EURm	31 Dec 2014	31 Dec 2013
Current assets, carrying amount:		
Land and buildings	90	123
Shares and other participations	26	25
Other assets	2	3
Total	**118**	**151**

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.

G47 Credit risk disclosures

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2014 EUR 628m down from EUR 1,209m one year ago, while past due loans for household customers decreased to EUR 1,258m (EUR 1,470m).

	31 Dec 2014		31 Dec 2013	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	375	838	675	922
31–60 days	125	222	317	305
61–90 days	70	99	66	123
>90 days	58	99	150	119
Total	**628**	**1,258**	**1,209**	**1,470**
Past due not impaired loans divided by loans to the public after allowances, %	0.33	0.82	0.66	0.96

Loans to corporate customers, by size of loan

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 73% (71%) of the corporate volume represents loans up to EUR 50m per customer.

	31 Dec 2014		31 Dec 2013	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	89.5	48	83.2	45
10–50	47.7	25	46.6	25
50–100	19.2	10	18.2	10
100–250	20.7	11	23.0	13
250–500	7.1	4	9.8	5
500–	4.1	2	2.9	2
Total	**188.3**	**100**	**183.6**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 where the carrying amount of interest-bearing securities is split on different types of counterparties.

G48 Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

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 1,430m (EUR 1,646m) and at year-end EUR 1,103m (EUR 1,369) where utilised. Total assets in the conduit were EUR 1,177m (EUR 1,428m) as per year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from that the payments are dependent on the pace in which Viking realises its assets.

Kalmar Structured Finance A/S was established to allow customers to invest instructured 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 1m (EUR 1m) at year-end. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m (EUR 1m) at year-end.

Nordea has during 2014 established a new structured entity, AR Finance. The entity invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 90m and at year-end 2014 EUR 75m were utilised. The entity holds assets of EUR 80m as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest but do not control it, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interest in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products where Nordea invests in investment funds:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) to hedge exposures in structured products issued to customers.
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds are disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses are zero. The change in value on investment funds held on behalf of other policyholders are to a large extent passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

Investment funds acquired to hedge exposures in structured products reduce the exposures and to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated to EUR 6m, net of hedges.

Investments in illiquid private equity and credit funds are an integrated part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated to EUR 84m, equal to the investment in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below.

EURm	31 Dec 2014
Assets, carrying amount:	
Shares	27,740
Total assets	**27,740**
Liabilities, carrying amount:	
Deposits and borrowings from the public	1,386
Liabilities to policy holders	25,287
Derivatives	105
Total liabilities	**26,778**
Off balance, nominal amount:	
Loan commitments	29

Nordea holds approximately 2,500 different funds which are classified as unconsolidated structured entities, of which approximately 400 are managed by Nordea. These have different investment mandates and risk appetites, ranging from low risk government bond funds to high risk leveraged equity funds. Total assets in funds managed by Nordea amount to EUR 114bn. All funds are financed by deposits from the holders of fund units. The total assets investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and is thus not disclosed.

Nordea has not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

G49 Country by country reporting

In accordance with the requirements under FFFS 2008:25, the table below presents for each country where Nordea is established, i.e. where Nordea has a physical presence, information about the businesses, the geografical area, averages number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. The amounts presented in the table below relate to continuing operations, for discontinuing operations see Note G42. Nordea has not received any significant government subsidies.

			2014				2013			
Country	Business[1]	Geographical area	Average number of employees[4]	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees[4]	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	8,255	2,974	1,130	–161	8,251	2,621	742	–165
Finland	RB, WB, AM, LP	Finland	6,971	2,197	1,136	–222	7,116	2,011	1,048	–277
Sweden	RB, WB, AM, LP	Sweden	6,963	2,963	706	–205	6,881	3,099	924	–210
Norway	RB, WB, AM, LP	Norway	3,238	1,732	900	–238	3,280	1,781	924	–251
Russia	WB	Russia	1,418	203	92	–20	1,454	193	92	–19
Poland	Other	Poland	692	–2	–23	4	503	32	13	–3
Estonia	RB, WB, LP	Estonia	486	61	27	–3	468	48	24	–7
Latvia	RB, WB	Latvia	431	64	–49	–3	443	68	14	–1
Luxembourg	AM, LP	Luxembourg	373	252	143	–42	376	228	122	–33
Lithuania	RB, WB, LP	Lithuania	351	52	21	–4	340	42	12	–2
United States	RB, WB, AM, LP	New York	118	134	94	–45	113	129	90	–32
United Kingdom	RB, WB, AM, LP	London	75	103	71	0	69	84	67	0
Singapore	WB	Singapore	85	51	50	–8	77	53	19	–1
Germany	WB, AM	Frankfurt	57	37	23	–5	55	35	21	–7
Switzerland	AM	Zürich	30	13	2	0	29	14	1	0
China	WB	Shanghai	28	6	1	–1	24	6	3	–1
Brazil	WB	Sao Paolo	4	1	0	0	4	1	0	0
Eliminations[3]			—	–617	—	—	—	–554	—	—
Total			**29,575**	**10,224**	**4,324**	**–953**	**29,483**	**9,891**	**4,116**	**–1,009**

1) RB=Retail banking, WB=Wholesale banking, AM=Asset management, LP= Life and pension.
2) Total operating income presented in this table is split on countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note G2 is split on countries based on the location of the customers´ operations.
3) Eliminations of transactions consist mainly of intra-group IT-services.
4) The average number of employees in discontinued operations is 644 (1,951).

G49 Country by country reporting, cont.

In accordance with the requirements under FFFS 2008:25 Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the table "Specification of group undertakings 31 December 2014" in Note G38 and in the last table in Note G19.

Denmark
Nordea Liv & Pension, Livforsikringsselskab A/S

Finland
Nordea Life Assurance Finland Ltd

Sweden
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)

Norway
Nordea Liv Holding Norge AS
Livforsikringsselskapet Nordea Liv Norge AS

Estonia
Nordea Bank AB Eesti filiaal

Latvia
Nordea Bank AB Latvijas filiale

Lithuania
Nordea Bank AB Lietuvos skyrius

Financial statements, Parent company – Contents

Income statement, Parent company

EURm	Note	2014	2013
Operating income			
Interest income		1,942	2,140
Interest expense		–1,293	–1,499
Net interest income	P3	**649**	**641**
Fee and commission income		1,093	1,259
Fee and commission expense		–273	–250
Net fee and commission income	P4	**820**	**1,009**
Net result from items at fair value	P5	186	131
Dividends	P6	2,333	1,827
Other operating income	P7	975	674
Total operating income		**4,963**	**4,282**
Operating expenses			
General administrative expenses:			
Staff costs	P8	–1,070	–982
Other expenses	P9	–904	–1,018
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P23, P24	–261	–109
Total operating expenses		**–2,235**	**–2,109**
Profit before loan losses		**2,728**	**2,173**
Net loan losses	P11	–98	–124
Impairment of securities held as financial non-current assets	P21	–15	–4
Operating profit		**2,615**	**2,045**
Appropriations	P12	–1	102
Income tax expense	P13	–189	–192
Net profit for the year		**2,425**	**1,955**

Statement of comprehensive income

EURm	2014	2013
Net profit for the year	**2,425**	**1,955**
Items that may be reclassified subsequently to the income statement		
Available for sale investments:[1]		
Valuation gains/losses during the year	6	4
Tax on valuation gains/losses during the year	–1	–1
Transferred to the income statement during the year	0	2
Tax on transfers to the income statement during the year	0	0
Cash flow hedges:		
Valuation gains/losses during the year	140	562
Tax on valuation gains/losses during the year	–31	–124
Transferred to the income statement during the year	–139	–586
Tax on transfers to the income statement during the year	31	129
Items that may be not reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	-11	—
Tax on remeasurement of benefit plans during the year	2	—
Other comprehensive income, net of tax	**-3**	**–14**
Total comprehensive income	**2,422**	**1,941**

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

Balance sheet, Parent company

EURm	Note	31 Dec 2014	31 Dec 2013
Assets			
Cash and balances with central banks		931	45
Treasury bills	P14	5,035	4,952
Loans to credit institutions	P15	86,704	80,918
Loans to the public	P15	39,809	34,155
Interest-bearing securities	P16	11,321	11,128
Financial instruments pledged as collateral	P17	43	737
Shares	P18	6,061	5,351
Derivatives	P19	5,981	4,219
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	1	–11
Investments in group undertakings	P21	16,986	17,723
Investments in associated undertakings	P22	7	7
Intangible assets	P23	758	729
Properties and equipment	P24	119	118
Deferred tax assets	P13	14	28
Current tax assets		50	0
Other assets	P25	3,727	2,533
Prepaid expenses and accrued income	P26	884	1,291
Total assets		**178,431**	**163,923**
Liabilities			
Deposits by credit institutions	P27	27,452	17,500
Deposits and borrowings from the public	P28	49,367	47,531
Debt securities in issue	P29	63,280	62,961
Derivatives	P19	4,653	3,627
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	1,368	715
Current tax liabilities		4	11
Other liabilities	P30	2,895	4,173
Accrued expenses and prepaid income	P31	642	1,150
Deferred tax liabilities	P13	0	10
Provisions	P32	206	184
Retirement benefit liabilities	P33	171	166
Subordinated liabilities	P34	7,728	5,971
Total liabilities		**157,766**	**143,999**
Untaxed reserves	P35	**4**	**3**
Equity			
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		–5	–2
Retained earnings		15,536	14,793
Total equity		**20,661**	**19,921**
Total liabilities and equity		**178,431**	**163,923**
Assets pledged as security for own liabilities	P36	3,946	2,454
Other assets pledged	P37	9,238	7,033
Contingent liabilities	P38	71,103	70,385
Commitments	P39	23,824	26,713

Statement of changes in equity, Parent company

EURm	Restricted equity	Unrestricted equity[1]					
			Other reserves:				
	Share capital	Share premium reserve	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2014	**4,050**	**1,080**	**–38**	**36**	—	**14,793**	**19,921**
Net profit for the year	—	—	—	—	—	2,425	2,425
Items that may be reclassified subsequently to the income statement							
Available for sale investments:							
Valuation gains/losses during the year	—	—	—	6	—	—	6
Tax on valuation gains/losses during the year	—	—	—	–1	—	—	–1
Transferred to the income statement during the year	—	—	—	0	—	—	0
Tax on transfers to the income statement during the year	—	—	—	0	—	—	0
Cash flow hedges:							
Valuation gains/losses during the year	—	—	140	—	—	—	140
Tax on valuation gains/losses during the year	—	—	–31	—	—	—	–31
Transferred to the income statement during the year	—	—	–139	—	—	—	–139
Tax on transfers to the income statement during the year	—	—	31	—	—	—	31
Items that may be not reclassified subsequently to the income statement							
Defined benefit plans							
Remeasurement of benefit plans during thee year	—	—	—	—	–11	—	–11
Tax on remeasurement of benefit plans during the year	—	—	—	—	2	—	2
Other comprehensive income, net of tax	—	—	1	5	–9	—	–3
Total comprehensive income	—	—	1	5	–9	2,425	2,422
Share-based payments	—	—	—	—	—	15	15
Dividend for 2013	—	—	—	—	—	–1,733	–1,733
Divestment of own shares[2]	—	—	—	—	—	34	34
Other changes in equity	—	—	—	—	—	2	2
Balance at 31 Dec 2014	**4,050**	**1,080**	**–37**	**41**	**–9**	**15,536**	**20,661**

1) Apart from retained earnings, unrestricted equity consists of a free fund to the amount of EUR 2,762m.
2) Refers to the change in the holding of own shares related to Long tem Incentive Programme and trading portfolio. The number of own shares were 17.6 million.

EURm	Restricted equity	Unrestricted equity[1]					
			Other reserves:				
	Share capital	Share premium reserve	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2013	**4,050**	**1,080**	**–19**	**31**	**—**	**14,233**	**19,375**
Net profit for the year	—	—	—	—	—	1,955	1,955
Items that may be reclassified subsequently to the income statement							
Available for sale investments:							
Valuation gains/losses during the year	—	—	—	4	—	—	4
Tax on valuation gains/losses during the year	—	—	—	–1	—	—	–1
Transferred to the income statement during the year	—	—	—	2	—	—	2
Tax on transfers to the income statement during the year	—	—	—	0	—	—	0
Cash flow hedges:							
Valuation gains/losses during the year	—	—	562	—	—	—	562
Tax on valuation gains/losses during the year	—	—	–124	—	—	—	–124
Transferred to the income statement during the year	—	—	–586	—	—	—	–586
Tax on transfers to the income statement during the year	—	—	129	—	—	—	129
Items that may be not reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of benefit plans during the year	—	—	—	—	—	—	—
Tax on remeasurement of benifit plans during the year	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	–19	5	—	—	–14
Total comprehensive income	—	—	–19	5	—	1,955	1,941
Share-based payments	—	—	—	—	—	15	15
Dividend for 2012	—	—	—	—	—	–1,370	–1,370
Repurchases of own shares[2]	—	—	—	—	—	–40	–40
Balance at 31 Dec 2013	**4,050**	**1,080**	**–38**	**36**	**—**	**14,793**	**19,921**

1) Apart from retained earnings, unrestricted equity consists of a free fund to the amount of EUR 2,762m.
2) Refers to the change in the holding of own shares related to Long tem Incentive Programme and trading portfolio. The number of own shares were 23.8 million.

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 31 Dec 2013	**1.0**	**4,049,951,919**	**4,049,951,919**
Balance at 31 Dec 2014	**1.0**	**4,049,951,919**	**4,049,951,919**

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 19 March 2015, a dividend in respect of 2014 of EUR 0.62 per share (2013 actual dividend EUR 0.43 per share) amounting to a total of EUR 2,501,100,294 (2013 actual: EUR 1,733,603,282) is to be proposed. The financial statements for the year ended 31 December 2014 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2015.

Cash flow statement, Parent company

EURm	2014	2013
Operating activities		
Operating profit	2,615	2,045
Adjustment for items not included in cash flow	–655	–1,771
Income taxes paid	–232	–142
Cash flow from operating activities before changes in operating assets and liabilities	**1,728**	**132**
Changes in operating assets		
Change in treasury bills	–58	9
Change in loans to credit institutions	–239	–19,476
Change in loans to the public	–5,809	1,915
Change in interest-bearing securities	–217	–78
Change in financial assets pledged as collateral	694	–634
Change in shares	–704	–610
Change in derivatives, net	–63	297
Change in other assets	561	–820
Changes in operating liabilities		
Change in deposits by credit institutions	9,941	–1,842
Change in deposits and borrowings from the public	1,817	–2,732
Change in debt securities in issue	–10	14,676
Change in other liabilities	–1,279	4,025
Cash flow from operating activities	**6,362**	**–5,138**
Investing activities		
Shareholder's contributions to group undertakings	—	–47
Sale of business operations	626	17
Sale of associated undertakings	—	1
Acquisition of properties and equipment	–30	–28
Sale of property and equipment	1	3
Acquisition of intangible assets	–258	–143
Net divestments in debt securities, held to maturity	209	544
Cash flow from investing activities	**548**	**347**
Financing activities		
Issued subordinated liabilities	1,224	—
Amortised subordinated liabilities	—	–500
Repurchase/divestment of own shares incl change in trading portfolio	34	–40
Dividend paid	–1,734	–1,370
Cash flow from financing activities	**–476**	**–1,910**
Cash flow for the year	**6,434**	**–6,701**
Cash and cash equivalents at the beginning of year	1,599	8,300
Cash and cash equivalents at the end of year	8,033	1,599
Change	**6,434**	**–6,701**

Comments on the cash flow statement

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 items not included in cash flow includes:

EURm	2014	2013
Depreciation	118	100
Impairment charges	158	9
Loan losses	122	144
Unrealised gains/losses	–281	914
Capital gains/losses (net)	–280	–16
Change in accruals and provisions	236	–307
Anticipated dividends	–645	–1,042
Group contributions	–1,109	–459
Translation differences	386	–173
Change in fair value of the hedged items, assets/liabilities (net)	641	–932
Other	–1	–9
Total	**–655**	**–1,771**

Changes in operating assets and liabilities consists 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	2014	2013
Interest payments received	2,039	2,202
Interest expenses paid	1,315	1,517

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 2014	31 Dec 2013
Cash and balances with central banks	931	45
Loans to credit institutions, payable on demand	7,102	1,554
Total	**8,033**	**1,599**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consists 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	2014	2013	2012	2011	2010
Net interest income	649	641	724	680	584
Net fee and commission income	820	1,009	623	560	571
Net result from items at fair value	186	131	189	234	157
Dividends	2,333	1,827	3,554	1,534	2,203
Other income	975	674	501	122	123
Total operating income	**4,963**	**4,282**	**5,591**	**3,130**	**3,638**
General administrative expenses:					
Staff costs	–1,070	–982	–938	–823	–745
Other expenses	–904	–1,018	–842	–561	–526
Depreciation, amortisation and impairment charges of tangible and intangible assets	–261	–109	–105	–112	–112
Total operating expenses	**–2,235**	**–2,109**	**–1,885**	**–1,496**	**–1,383**
Profit before loan losses	**2,728**	**2,173**	**3,706**	**1,634**	**2,255**
Net loan losses	–98	–124	–19	–20	–33
Impairment of securities held as financial non-current assets	–15	–4	–15	–9	–105
Operating profit	**2,615**	**2,045**	**3,672**	**1,605**	**2,117**
Appropriations	–1	102	–103	1	0
Income tax expense	–189	–192	–95	–114	–115
Net profit for the year	**2,425**	**1,955**	**3,474**	**1,492**	**2,002**

Balance sheet

EURm	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Treasury bills and interest-bearing securities	16,356	16,080	16,686	18,314	20,706
Loans to credit institutions	86,704	80,918	68,006	59,379	48,151
Loans to the public	39,809	34,155	36,214	36,421	33,800
Investments in group undertakings	16,986	17,723	17,659	16,713	16,690
Other assets	18,576	15,047	13,565	10,554	14,458
Total assets	**178,431**	**163,923**	**152,130**	**141,381**	**133,805**
Deposits by credit institutions	27,452	17,500	19,342	22,441	28,644
Deposits and borrowings from the public	49,367	47,531	50,263	44,389	39,620
Debt securities in issue	63,280	62,961	48,285	45,367	33,424
Subordinated liabilities	7,728	5,971	7,131	6,154	7,135
Other liabilities/untaxed reserves	9,943	10,039	7,734	6,109	8,402
Equity	20,661	19,921	19,375	16,921	16,580
Total liabilities and equity	**178,431**	**163,923**	**152,130**	**141,381**	**133,805**

Ratios and key figures, Parent company

	2014	2013	2012	2011	2010
Return on equity, %	12.6	10.5	20.5	9.4	13.4
Return on assets, %	1.4	1.2	2.3	1.1	1.5
Cost/income ratio, %	45.0	49.3	33.9	47.8	38.0
Loan loss ratio, basis points	25	36	5	5	10
Common Equity Tier 1 capital ratio excluding transition rules[1,2], %	21.8	20.8	17.6	24.9	23.8
Tier 1 capital ratio, excluding transition rules[1], %	25.3	23.1	19.6	28.1	27.0
Total capital ratio, excluding transition rules[1], %	30.6	28.0	24.4	33.3	34.5
Tier 1 capital[1,2,3] EURm	19,932	19,300	19,244	17,134	16,578
Risk-exposure amount, including transition rules[1] EURbn	79	83	98	61	61

1) End of the year.
2) Including result of the year.
3) The 2013 ratios are reported under the Basel II regulation framework and the 2014 ratios are reported using the Basel III (CRR/CRDIV) framework.

P1 Accounting policies

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 the accounting regulations of the Swedish Financial Supervisory Authority, FFFS 2008:25, with amendments in FFFS 2009:11, 2011:54, 2013:2, 2013:24 and 2014:18. This means that the parent company applies International Financial Reporting Standards (IFRS) as endorsed by the EU Commission to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation.

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 2013 Annual Report.

The new standard IFRS 12 "Disclosure of Interests in Other Entities" was implemented 1 January 2014 but has not had any significant impact on the financial statements of the parent company.

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2013:24 and FFFS 2014:18. FFFS 2013:24 was implemented by the parent company on 1 January 2014, except for the new requirements to disclose maturity information which were early adopted as from 1 January 2013. FFFS 2014:18 was implemented during the third quarter 2014. The amendments require additional disclosures related to capital adequacy which are presented in Note P40 "Capital adequacy". Other amendments in FFFS 2013:24 and FFFS 2014:18 have not had any significant impact on the parent company´s financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities RFR 2 by issuing "RFR 2 Accounting for Legal Entities - January 2014". Those amendments were implemented by the parent company 1 January 2014, as a consequence of applying FFFS 2008:25, but have not had any significant impact on the parent company's financial statement.

Forthcoming changes in IFRSs not yet implemented by the parent company can be found in section 3 "Changes in IFRSs not yet applied by Nordea" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

Accounting policies applicable for the parent company only

Investments in group undertakings and associated undertakings
The parent company's investments in group undertakings and associated undertakings 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 group undertakings and associated undertakings 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.

The parent company applies fair value hedge accounting for the foreign exchange risk in investments in subsidiaries. The shares in subsidiaries are remeasured with regards to the hedged risk with a corresponding entry in "Net result from items at fair value". The change in fair value of the hedging instruments is also recognised in the income statement in "Net result from items at fair value".

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".

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 the parent company 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".

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 consists 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.

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 statement, 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.

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

P1 Accounting policies, cont.

Group contributions
Group contributions paid to group undertakings are recognised as an increase in the value of investments in group undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

Untaxed reserves
The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

P2 Segment reporting

Geographical information

	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income	649	641	—	—	—	—	—	—	—	—	649	641
Net fee and commission income	820	1,009	—	—	—	—	—	—	—	—	820	1,009
Net result from items at fair value	186	131	—	—	—	—	—	—	—	—	186	131
Dividends[1]	949	838	604	700	—	—	750	244	30	45	2,333	1,827
Other operating income	327	106	214	195	94	88	340	285	—	—	975	674
Total operating income	**2,931**	**2,725**	**818**	**895**	**94**	**88**	**1,090**	**529**	**30**	**45**	**4,963**	**4,282**

1) Regards dividends from group undertakings.

P3 Net interest income

EURm	2014	2013
Interest income		
Loans to credit institutions	651	713
Loans to the public	928	973
Interest-bearing securities	295	366
Other interest income	68	88
Interest income	**1,942**	**2,140**
Interest expense		
Deposits by credit institutions	–127	–148
Deposits and borrowings from the public	–193	–333
Debt securities in issue	–958	–935
Subordinated liabilities	–313	–314
Other interest expenses[1]	298	231
Interest expense	**–1,293**	**–1,499**
Net interest income	**649**	**641**

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 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 1,655m (EUR 1,804m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –1,617m (EUR –1,756m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4 Net fee and commission income

EURm	2014	2013
Asset management commissions	129	115
Life insurance	1	2
Brokerage, securities issues and corporate finance	168	165
Custody and issuers services	24	22
Deposits	23	26
Total savings related commissions	**345**	**330**
Payments	105	109
Cards	238	219
Total payment commissions	**343**	**328**
Lending	157	164
Guarantees and documentary payment	215	402
Total lending related commissions	**372**	**566**
Other commission income	33	35
Fee and commission income	**1,093**	**1,259**
Savings and investments	–30	–28
Payments	–22	–26
Cards	–136	–126
State guarantee fees	–55	–50
Other commission expenses	–30	–20
Fee and commission expense	**–273**	**–250**
Net fee and commission income	**820**	**1,009**

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 180m (EUR 191m).

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 298m (EUR 282m). The corresponding amount for fee expenses is EUR –30m (EUR –28m).

P5 Net result from items at fair value

EURm	2014	2013
Shares/participations and other share-related instruments	47	35
Interest-bearing securities and other interest-related instruments	–95	165
Other financial instruments	14	8
Foreign exchange gains/losses	220	–77
Total[1]	**186**	**131**

1) Of which EUR 41m (EUR 53m) is dividends from shares.

P5 Net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2014	2013
Available for sale assets, realised	0	–2
Financial instruments designated at fair value through profit or loss	21	19
Financial instruments held for trading	53	80
Financial instruments under fair value hedge accounting	6	–6
– of which net losses on hedging instruments	–487	–929
– of which net gains on hedged items	493	923
Financial assets measured at amortised cost	27	0
Foreign exchange gains/losses excluding currency hedges	83	40
Other	–4	0
Total	**186**	**131**

P6 Dividends

EURm	2014	2013
Dividends from group undertakings		
Nordea Bank Finland Plc	550	700
Nordea Bank Denmark A/S	739	235
Nordea Life Holding AB	220	310
Nordea Investment Management AB	75	68
Nordea Bank S.A.	30	45
Nordea Funds Ltd	54	—
Nordea Ejendomsinvestering A/S	11	9
Barkman Elektronik AB in liquidation	8	—
Dividends from associated undertakings		
Upplysningscentralen (UC) AB	1	1
Group Contributions		
Nordea Hypotek AB	494	245
Nordea Nordic Baltic 1 AB	8	28
Nordea Investment Management AB	14	—
Nordea Finans AB	129	186
Total	**2,333**	**1,827**

P7 Other operating income

EURm	2014	2013
Divestment of shares	278	17
Remuneration from group undertakings	691	644
Other	6	13
Total	**975**	**674**

P8 Staff costs

EURm	2014	2013
Salaries and remuneration (specification below)[1]	–716	–650
Pension costs (specification below)	–134	–126
Social security contributions	–213	–200
Other staff costs	–7	–6
Total[2]	**–1,070**	**–982**

Salaries and remuneration		
To executives[3]		
– Fixed compensation and benefits	–6	–6
– Performance-related compensation	–6	–5
– Allocation to profitsharing	0	0
Total	**–12**	**–11**
To other employees	–704	–639
Total	**–716**	**–650**

1) Allocation to profit-sharing foundation 2014 EUR 25m (EUR 13m) consists of a new allocation of EUR 24m (EUR 13m) and an allocation related to prior year of EUR 1m (EUR 0m).
2) Of which EUR 48m regards termination benefits in connection to the cost efficiency programme launched in the second quarter.
3) 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 15 (16) positions.

EURm	2014	2013
Pension costs[1]		
Defined benefit plans	–73	–67
Defined contribution plans	–61	–59
Total	**–134**	**–126**

1) Pension costs for executives, see Note G7 "Staff costs".

Additional disclosures on remuneration under Swedish FSA 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) no later than one week before the Annual General Meeting on 19 March 2015.

Compensation to key management personnel

Salaries and renumeration to the Board of Directors, CEO and Group Executive Management, see Note G7 "Staff costs".

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 "Staff costs".

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 "Staff costs".

For information on number of outstanding conditional rights in the LTIPs, see Note G7 "Staff costs". All rights in the LTIPs, both to employees in the parent company as well as to employees in group undertakings, are issued by Nordea Bank AB (publ).

The expenses in below table regards only employees in Nordea Bank AB (publ).

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

EURm	LTIP 2012	LTIP 2011	LTIP 2010
Expected expense for the whole programme	–12	–8	–5
Maximum expense for the whole programme	–12	–8	–5
Total expense during 2014	–5	–1	—
Total expense during 2013	–2	–3	–1

1) All amounts excluding social security contribution.

When calculating the expected expense an expected annual employee turnover of 5% has been used. The expected expense is recognised over the vesting period of 36 months.

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 transferred after three years or 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. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme (EIP) which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2014 is paid no earlier than autumn 2018. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2014 is decided during spring 2015, and a reservation of EUR 16m excl. social costs is made 2014. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

P8 Staff costs, cont.

EURm	Share linked deferrals 2014	2013
Opening balance	3	2
Deferred/earned during the year	5	1
TSR indexation during the year	1	1
Payments during the year[1]	–1	–1
Translation differences	–1	0
Closing balance	**7**	**3**

1) There have been no adjustments due to forfeitures in 2014.

Average number of employees

	Total		Men		Women	
	2014	2013	2014	2013	2014	2013
Full-time equivalents						
Sweden	6,485	6,395	2,983	2,852	3,502	3,543
Other countries	3,613	1,842	1,854	1,156	1,759	686
Total average	**10,098**	**8,237**	**4,837**	**4,008**	**5,261**	**4,229**

Gender distribution, executives

Per cent	31 Dec 2014	31 Dec 2013
Nordea Bank AB (publ)		
Board of Directors – Men	50	67
Board of Directors – Women	50	33
Other executives – Men	86	86
Other executives – Women	14	14

P9 Other expenses

EURm	2014	2013
Information technology	–538	–622
Marketing and representation	–34	–35
Postage, transportation, telephone and office expenses	–55	–61
Rents, premises and real estate	–133	–125
Other[1]	–144	–175
Total	**–904**	**–1,018**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2014	2013
KPMG		
Auditing assignments	–2	–2
Audit-related services	0	–1
Tax advisory services	0	0
Other assignments	–1	–3
Total	**–3**	**–6**

P10 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2014	2013
Depreciation/amortisation		
Property and equipment (Note P24)		
Equipment	–27	–24
Intangible assets (Note P23)		
Goodwill	–49	–49
Computer software	–31	–23
Other intangible assets	–11	–4
Total	**–118**	**–100**
Impairment charges		
Intangible assets (Note P23)		
Computer software	–142	–9
Other intangible assets	–1	—
Total	**–143**	**–9**
Total	**–261**	**–109**

P11 Net loan losses

EURm	2014	2013
Divided by class		
Loans to credit institutions[1]	0	1
– of which reversals	0	1
Loans to the public[1]	–34	–45
– of which provisions	–77	–57
– of which write-offs	–68	–72
– of which allowances used for covering write-offs	24	34
– of which reversals	64	29
– of which recoveries	23	21
Off-balance sheet items[2]	–64	–80
– of which provisions	–77	–70
– of which reversals	50	38
– of which directly recognised in income statement	–37	–48
Total	**–98**	**–124**

1) Included in Note P15 "Loans and impairment".
2) Included in Note P32 "Provisions" as "Transfer risk, off-balance" and "Guarantees".

Key ratios

	2014	2013
Loan loss ratio, basis points	25	36
– of which individual	9	15
– of which collective	16	21

P12 Appropriations

EURm	2014	2013
Change in tax allocation reserve	—	100
Change in depreciation in excess of plan, equipment	–1	2
Total	**–1**	**102**

P13 Taxes

Income tax expense

EURm	2014	2013
Current tax	–176	–194
Deferred tax	–13	2
Total	**–189**	**–192**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2014	2013
Profit before tax	2,614	2,147
Tax calculated at a tax rate of 22.0%	–575	–472
Tax-exempt income	431	307
Non-deductible expenses	–16	–20
Adjustments relating to prior years	–29	–7
Tax charge	**–189**	**–192**
Average effective tax rate	7%	9%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2014	2013	2014	2013
Deferred tax related to:				
Derivatives	10	11	—	10
Properties and equipment	—	—	9	—
Retirement benefit obligations	3	9	—	—
Liabilities/provisions	10	8	0	—
Netting between deferred tax assets and liabilities	–9	—	–9	—
Total	**14**	**28**	**0**	**10**

P14 Treasury bills

EURm	31 Dec 2014	31 Dec 2013
State and sovereigns[1]	4,328	5,235
Municipalities and other public bodies	750	454
Total	**5,078**	**5,689**
– of which Financial instruments pledged as collateral (Note P17)	43	737
Total	**5,035**	**4,952**

1) Of which EUR 0m (EUR 17m) held at amortised cost with a nominal amount of EUR 0m (EUR 17m).

P15 Loans and impairment

	Credit institutions		The public		Total	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loans, not impaired	86,706	80,920	39,501	34,015	126,207	114,935
Impaired loans	—	—	636	312	636	312
– Performing	—	—	312	180	312	180
– Non-performing	—	—	324	132	324	132
Loans before allowances	**86,706**	**80,920**	**40,137**	**34,327**	**126,843**	**115,247**
Allowances for individually assessed impaired loans	—	—	–254	–118	–254	–118
– Performing	—	—	–127	–79	–127	–79
– Non-performing	—	—	–127	–39	–127	–39
Allowances for collectively assessed impaired loans	–2	–2	–74	–54	–76	–56
Allowances	**–2**	**–2**	**–328**	**–172**	**–330**	**–174**
Loans, carrying amount	**86,704**	**80,918**	**39,809**	**34,155**	**126,513**	**115,073**

Movements in allowance accounts for impaired loans

	Credit institutions			The public			Total		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2014	**0**	**–2**	**–2**	**–118**	**–54**	**–172**	**–118**	**–56**	**–174**
Provisions	—	0	0	–75	–2	–77	–75	–2	–77
Reversals of previous provisions	—	0	0	58	6	64	58	6	64
Changes through the income statement	**—**	**0**	**0**	**–17**	**4**	**–13**	**–17**	**4**	**–13**
Allowances in acquired loan portfolios	—	—	—	–150	–26	–176	–150	–26	–176
Allowances used to cover write-offs	—	—	—	24	—	24	24	—	24
Translation differences	—	0	0	7	2	9	7	2	9
Closing balance at 31 Dec 2014	**—**	**–2**	**–2**	**–254**	**–74**	**–328**	**–254**	**–76**	**–330**
Opening balance at 1 Jan 2013	**–1**	**–4**	**–5**	**–132**	**–61**	**–193**	**–133**	**–65**	**–198**
Provisions	—	1	1	–55	–3	–58	–55	–2	–57
Reversals of previous provisions	—	1	1	22	6	28	22	7	29
Changes through the income statement	**—**	**2**	**2**	**–33**	**3**	**–30**	**–33**	**5**	**–28**
Allowances used to cover write-offs	—	—	—	34	—	34	34	—	34
Translation differences	1	—	1	13	4	17	14	4	18
Closing balance at 31 Dec 2013	**0**	**–2**	**–2**	**–118**	**–54**	**–172**	**–118**	**–56**	**–174**

P15 Loans and impairment, cont.

Allowances and provisions[1]

EURm	Credit institutions 31 Dec 2014	Credit institutions 31 Dec 2013	The public 31 Dec 2014	The public 31 Dec 2013	Total 31 Dec 2014	Total 31 Dec 2013
Allowances for items on the balance sheet	–2	–2	–328	–172	–330	–174
Provisions for off balance sheet items	–162	–138	–1	–3	–163	–141
Total allowances and provisions	**–164**	**–140**	**–329**	**–175**	**–493**	**–315**

1) Included in Note P32 "Provisions" as "Transferrisk, off-balance" and "Individually assessed guarantees and other commitments".

Key ratios

	31 Dec 2014	31 Dec 2013
Impairment rate, gross, basis points	50	27
Impairment rate, net, basis points	30	17
Total allowance rate, basis points	26	15
Allowances in relation to impaired loans, %	40	38
Total allowances in relation to impaired loans, %	52	56

P16 Interest-bearing securities

EURm	31 Dec 2014	31 Dec 2013
Issued by public bodies	43	—
Issued by other borrowers[1]	11,278	11,128
Total	**11,321**	**11,128**
Listed securities	11,166	10,969
Unlisted securities	155	159
Total	**11,321**	**11,128**

1) Of which EUR 111m (EUR 321m) held at amortised cost with a nominal amount of EUR 112m (EUR 322m).

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 on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2014	31 Dec 2013
Treasury bills	43	737
Total	**43**	**737**

For more information on transferred assets, see Note P45 "Transferred assets and obtained collaterals".

P18 Shares

EURm	31 Dec 2014	31 Dec 2013
Shares	6,060	5,350
Shares taken over for protection of claims	1	1
Total	**6,061**	**5,351**
Listed shares	6,029	5,322
Unlisted shares	32	29
Total	**6,061**	**5,351**

P19 Derivatives and hedge accounting

31 Dec 2014, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	2,315	2,423	138,982
FRAs	57	66	63,168
Futures and forwards	0	0	1,866
Options	—	5	11,097
Other	5	0	4,258
Total	**2,377**	**2,494**	**219,371**
Equity derivatives			
Equity swaps	57	215	272
Futures and forwards	0	5	97
Options	277	230	2,648
Total	**334**	**450**	**3,017**
Foreign exchange derivatives			
Currency and interest rate swaps	534	477	17,745
Currency forwards	424	22	17,581
Total	**958**	**499**	**35,326**
Credit derivatives	8	—	256
Other derivatives	5	—	1,772
Total derivatives held for trading	**3,682**	**3,443**	**259,742**
Derivatives used for hedge accounting			
Interest rate derivatives	1,764	404	42,020
Equity derivatives	—	5	55
Foreign exchange derivatives	535	801	9,872
Total derivatives used for hedge accounting	**2,299**	**1,210**	**51,947**
– of which fair value hedges[1]	1,747	360	46,635
– of which cash flow hedges[1]	552	850	32,130
Total derivatives	**5,981**	**4,653**	**311,689**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

P19 Derivatives and Hedge accounting, cont.

31 Dec 2013, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	1,656	1,735	140,226
FRAs	14	18	50,444
Futures and forwards	1	0	2,586
Options	6	6	4,282
Other	1	0	1,129
Total	**1,678**	**1,759**	**198,667**
Equity derivatives			
Equity swaps	82	142	224
Futures and forwards	2	1	14
Options	151	123	2,796
Total	**235**	**266**	**3,034**
Foreign exchange derivatives			
Currency and interest rate swaps	530	549	12,617
Currency forwards	82	40	15,064
Total	**612**	**589**	**27,681**
Credit derivatives	0	—	1
Other derivatives	6	0	1,916
Total derivatives held for trading	**2,531**	**2,614**	**231,299**
Derivatives used for hedge accounting			
Interest rate derivatives	1,311	319	39,161
Foreign exchange derivatives	377	694	17,880
Total derivatives used for hedge accounting	**1,688**	**1,013**	**57,041**
– of which fair value hedges[1]	1,288	291	47,587
– of which cash flow hedges[1]	358	700	24,316
– of which net investment hedges	42	22	9,455
Total derivatives	**4,219**	**3,627**	**288,340**

1) Some cross currency interest rate swaps and interst rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

P20 Fair value changes of the hedged items in portfolio hedge of interest rate risk

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 2014	31 Dec 2013
Acquisition value at beginning of year	18,347	18,279
Acquisitions/capital contributions during the year	56	58
Revaluations under hedge accounting	–425	—
IFRS 2 expenses[1]	9	10
Sales during the year	–376	—
Acquisition value at end of year	**17,611**	**18,347**
Accumulated impairment charges at beginning of year	–624	–620
Accumulated impairment charges on group undertakings sold during the year	14	—
Impairment charges during the year	–15	–4
Accumulated impairment charges at end of year	**–625**	**–624**
Total	**16,986**	**17,723**
– of which listed shares	—	—

1) Allocation of IFRS 2 expenses for LTIP 2011 and 2012 related to the group undertakings.

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 2014	Number of shares	Carrying amount 2014, EURm	Carrying amount 2013, EURm	Voting power of holding %	Domicile	Registration number
Nordea Bank Finland Plc	1,030,800,000	5,962	5,959	100.0	Helsinki	1680235–8
Nordea Finance Finland Ltd				100.0	Helsinki	0112305–3
Nordea Bank Danmark A/S	50,000,000	4,024	4,010	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				100.0	Copenhagen	31934745
Nordea Bank Norge ASA	551,358,576	2,428	2,733	100.0	Oslo	911044110
Nordea Eiendomskreditt AS				100.0	Oslo	971227222
Nordea Finans Norge AS				100.0	Oslo	924507500
Privatmegleren AS				100.0	Oslo	986386661
Nordea Bank Polska S.A[1]	55,061,403	—	343	99.2	Gdynia	KRS0000021828
OOO Promyshlennaya Companiya Vestkon	4,601,942,680[2]	659	659	100.0	Moscow	1027700034185
JSC Nordea Bank				100.0[3]	Moscow	1027739436955
Nordea Life Holding AB	1,000	719	719	100.0	Stockholm	556742–3305
Nordea Liv & Pension, Livforsikringsselskab A/S				100.0	Ballerup	24260577
Nordea Liv Holding Norge AS				100.0	Bergen	984739303
Livforsikringsselskapet Nordea Liv Norge AS				100.0	Bergen	959922659
Nordea Livförsäkring Sverige AB (publ)				100.0	Stockholm	516401–8508
Nordea Life Assurance Finland Ltd				100.0	Helsinki	0927072–8

P21 Investments in group undertakings, cont.

31 Dec 2014	Number of shares	Carrying amount 2014, EURm	Carrying amount 2013, EURm	Voting power of holding %	Domicile	Registration number
Nordea Funds Ltd	3,350	174	174	100.0	Helsinki	1737785–9
Nordea Bank S.A.	999,999	455	455	100.0	Luxembourg	B–14157
Nordea Hypotek AB (publ)[4]	100,000	1,874	1,998	100.0	Stockholm	556091–5448
Nordea Nordic Baltic 1 AB	15,000	242	242	100.0	Stockholm	556020–4694
Nordea Finans Sverige AB (publ)[4]	1,000,000	104	124	100.0	Stockholm	556021–1475
Nordea Investment Management AB	12,600	231	237	100.0	Stockholm	556060–2301
Nordea Ejendomsinvestering A/S	1,000	29	29	100.0	Glostrup	26640172
Nordea IT Polska S.p. z.o.o.	100	30	40	100.0	Warsaw	0000429783
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 do Brasil Representações Ltda	1,162,149	0	0	100.0	Sao Paulo, Brasil	51.696.268/0001–40
Nordic Baltic Holding (NBH) AB[5]	1,000	0	0	100.0	Stockholm	556592–7950
Nordea Fastigheter AB[5]	3,380,000	1	1	100.0	Stockholm	556021–4917
Promano Est OÜ	1	10	—	100.0	Tallinn, Estonia	11681888
Uus-Sadama 11 OÜ	1	0	—	100.0	Tallinn, Estonia	11954914
SIA Promano Lat	21,096	14	—	100.0	Riga, Latvia	40103235197
SIA Realm	7,034	7	—	100.0	Riga, Latvia	50103278681
SIA Lidosta RE	765	1	—	100.0	Riga, Latvia	40103424424
SIA Trioleta	2,786	4	—	99.9	Riga, Latvia	40103565264
Promano Lit UAB	34,528	11	—	100.0	Vilnius, Lithuania	302423219
UAB Recurso	15,000	5	—	100.0	Vilnius, Lithuania	302784511
UAB Inrec	6,900	2	—	100.0	Vilnius, Lithuania	302996806
Total		**16,986**	**17,723**			

1) Sold in April 2014.
2) Nominal value expressed in RUB, representing Nordea's participation in Vestkon.
3) Combined ownership, Nordea Bank AB (publ) directly 7.2% and indirectly 92.8% through OOO Promyshlennaya Companiya Vestkon.
4) Credit institutions as defined in the Swedish Annual Account Act for Credit Instituions and Securities Companies (1995:1559).
5) Dormant.

P22 Investments in associated undertakings

EURm	31 Dec 2014	31 Dec 2013
Acquisition value at beginning of year	7	8
Acquisitions during the year	—	0
Sales during the year	—	–1
Acquisition value at end of year	**7**	**7**
– of which listed shares	—	—

P23 Intangible assets

EURm	31 Dec 2014	31 Dec 2013
Goodwill allocated to cash generating units		
Retail Banking	305	354
Goodwill, total	**305**	**354**
Computer software	416	367
Other intangible assets	37	8
Other intangible assets, total	**453**	**375**
Intangible assets, total	**758**	**729**
Movements in 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	–705	–656
Amortisation according to plan for the year	–49	–49
Accumulated amortisation at end of year	**–754**	**–705**
Total	**305**	**354**
Movements in computer software		
Acquisition value at beginning of year	465	340
Acquisitions during the year	217	135
Disposals during the year	—	–2
Reclassifications	—	–8
Acquisition value at end of year	**682**	**465**
Accumulated amortisation at beginning of year	–89	–68
Amortisation according to plan for the year	–31	–23
Accumulated amortisation on disposals	—	2
Accumulated amortisation at end of year	**–120**	**–89**
Accumulated impairment charges at beginning of year	–9	–8
Impairment charges during the year	–142	–9
Reclassifications	5	8
Accumulated impairment charges at end of year	**–146**	**–9**
Total	**416**	**367**
Movements in other intangible assets		
Acquisition value at beginning of year	48	42
Acquisitions during the year	41	8
Disposals during the year	—	–2
Acquisition value at end of year	**89**	**48**
Accumulated amortisation at beginning of year	–40	–39
Amortisation according to plan for the year	–11	–4
Accumulated amortisation on disposals during the year	—	2
Translation differences	—	1
Accumulated amortisation at end of year	**–51**	**–40**
Impairment charges during the year	–1	—
Accumulated impairment charges at end of year	**–1**	**—**
Total	**37**	**8**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. See Note G20 "Intangible assets" and Note G1 "Accounting policies" section 4 for more information. See also Note G20 "Intangible assets" for more information on the impairment of computer software.

P24 Properties and equipment

EURm	31 Dec 2014	31 Dec 2013
Properties and equipment	119	118
– of which buildings for own use	0	0
Total	**119**	**118**
Movements in equipment		
Acquisition value at beginning of year	268	270
Acquisitions during the year	30	28
Sales/disposals during the year	–32	–30
Acquisition value at end of year	**266**	**268**
Accumulated depreciation at beginning of year	–150	–149
Accumulated depreciation on sales/disposals during the year	30	23
Depreciations according to plan for the year	–27	–24
Accumulated depreciation at end of year	**–147**	**–150**
Total	**119**	**118**

Operating leases
Nordea has entered into operating lease agreements for premises and office equipment. See also Note G1 "Accounting policies", section 15.

Leasing expenses during the year, EURm	31 Dec 2014	31 Dec 2013
Leasing expenses during the year	–117	–113
– of which minimum lease payments	–117	–113
Leasing income during the year regarding sublease payments	35	39

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

EURm	31 Dec 2014
2015	74
2016	62
2017	48
2018	38
2019	30
Later years	253
Total	**505**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 252m. EUR 237m of the subleases are towards group undertakings.

P25 Other assets

EURm	31 Dec 2014	31 Dec 2013
Claims on securities settlement proceeds	276	484
Anticipated dividends from group undertakings	1,109	742
Group contributions	644	459
Other	1,698	848
Total	**3,727**	**2,533**

P26 Prepaid expenses and accrued income

EURm	31 Dec 2014	31 Dec 2013
Accrued interest income	115	396
Other accrued income	81	170
Prepaid expenses	688	725
Total	**884**	**1,291**

P27 Deposits by credit institutions

EURm	31 Dec 2014	31 Dec 2013
Central banks	2,418	3,707
Banks	24,258	13,095
Other credit institutions	776	698
Total	**27,452**	**17,500**

P28 Deposits and borrowings from the public

EURm	31 Dec 2014	31 Dec 2013
Deposits	48,176	46,150
Borrowings	1,191	1,381
Total	**49,367**	**47,531**

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 2014	31 Dec 2013
Certificates of deposit	55	—
Commercial papers	29,246	28,853
Bond loans	33,908	34,029
Other	71	79
Total	**63,280**	**62,961**

P30 Other liabilities

EURm	31 Dec 2014	31 Dec 2013
Liabilities on securities settlement proceeds	215	202
Sold, not held, securities	285	244
Accounts payable	22	29
Other	2,373	3,698
Total	**2,895**	**4,173**

P31 Accrued expenses and prepaid income

EURm	31 Dec 2014	31 Dec 2013
Accrued interest	13	544
Other accrued expenses	443	391
Prepaid income	186	215
Total	**642**	**1,150**

P32 Provisions

EURm	31 Dec 2014	31 Dec 2013
Provision for restructuring costs	42	36
Transfer risk, off-balance	1	2
Guarantees	162	139
Other	1	7
Total	**206**	**184**

	Restructuring	Transfer risk	Guarantees	Other	Total
At beginning of year	36	2	139	7	184
New provisions made	60	—	77	—	137
Provisions utilised	–18	–1	–4	–6	–29
Reversals	–18	—	–50	—	–68
Reclassifications	–16	—	—	—	–16
Translation differences	–2	0	0	0	–2
At end of year	**42**	**1**	**162**	**1**	**206**

Provision for restructuring costs amounts to EUR 42m and covers termination benefits (EUR 34m) and other provisions mainly related to redundant premises (EUR 8m). 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 "Loans and impairment". Provision for transfer risk is depending on the volume of business with different countries. Loan loss provisions for guarantees amounts to EUR 162m, of which EUR 161m covers the guarantee in favour of Nordea Bank Finland Plc.

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 on the balance sheet pertain to former employees of Postgirot Bank and pension obligations in foreign branches. EUR 124m (EUR 133m) of the provisions are covered by "Tryggandelagen".

A small percentage of the pension obligations are covered by insurance policies.

The following figures are mainly based on calculations in accordance with Swedish rules ("Tryggandelagen").

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

Specification of amounts recognised on the balance sheet

EURm	31 Dec 2014	31 Dec 2013
Present value of commitments relating to in whole or in part funded pension plans	–1,155	–1,202
Fair value at the end of the period relating to specifically separated assets	1,384	1,303
Surplus in the pension foundation	**229**	**101**
Present value of commitments relating to unfunded pension plans	–171	–166
Unrecognised surplus in the pension foundation	–229	–101
Reported liability net on the balance sheet	**–171**	**–166**

Movements in the liability recognised on balance sheet as pension

EURm	31 Dec 2014	31 Dec 2013
Balance at 1 Jan recognised as pension commitments	166	182
Pensions paid related to former employees of Postgirot Bank	–7	–7
Actuarial pension calculations	12	0
Effect of exchange rate changes	0	–9
Balance at 31 Dec	**171**	**166**

Specification of cost and income in respect of pensions

EURm	2014	2013
Pensions paid related to former employees of Postgirot Bank	–7	–7
Pensions paid covered by the pension foundation	–61	–67
Actuarial pension calculation	–5	7
Defined benefit plans	**–73**	**–67**
Defined contribution plans	–61	–59
Pension costs[1]	**–134**	**–126**
Return on specifically separated assets, %	12.4	3.0

1) See Note P8 "Staff costs".

Actual value of holdings in pension foundations

EURm	31 Dec 2014	31 Dec 2013
Shares	353	326
Interest-bearing securities	1,004	955
Other assets	27	22
Total	**1,384**	**1,303**

P33 Retirement benefit obligations, cont.

Main assumptions for defined benefit obligations

	2014	2013
Discount rate	2.2%	2.2%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Next year's expected payment regarding defined benefit plans amounts to EUR 66m.

P34 Subordinated liabilities

EURm	31 Dec 2014	31 Dec 2013
Dated subordinated debenture loans	4,435	4,107
Hybrid capital loans	3,293	1,864
Total	**7,728**	**5,971**

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 2014 five loans – with terms specified below – exceeded 10% of the total outstanding volume dated subordinated loans.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,000	997	Fixed
Dated loan[2]	750	747	Fixed
Dated loan[3]	750	748	Fixed
Dated loan[4]	1,030	1,023	Fixed
Dated loan[5]	824	816	Fixed

1) Maturity date 26 March 2020.
2) Maturity date 29 March 2021.
3) Call date 15 February 2017, maturity date 15 February 2022.
4) Maturity date 13 May 2021.
5) Maturity date 21 September 2022.

P35 Untaxed reserves

EURm	31 Dec 2014	31 Dec 2013
Accumulated excess depreciation, equipment	4	3

P36 Assets pledged as security for own liabilities

EURm	31 Dec 2014	31 Dec 2013
Assets pledged for own liabilities		
Securities etc[1]	3,946	2,454
Total	**3,946**	**2,454**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	2,508	1,788
Deposits and borrowings from the public	268	2,380
Total	**2,776**	**4,168**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P45 "Transferred assets and 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

Other assets pledged are mainly related to securities which included interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 9,238m (EUR 7,033m). The terms and conditions require day to day securities and relate to liquidity intraday/overnight. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

P38 Contingent liabilities

EURm	31 Dec 2014	31 Dec 2013
Guarantees		
– Loan guarantees	70,024	69,815
– Other guarantees	918	570
Other contingent liabilities	161	0
Total	**71,103**	**70,385**

In the normal business Nordea 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 in favour of its Russian subsidery JSC Nordea Bank where Nordea Bank AB (publ) guarantees specified exposures in JSC Nordea Bank. At 31 December 2014 the guarantees cover exposures amounting to EUR 4bn. The guarantees are priced at arm's length. All internal transactions under the guarantees are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has issued a guarantee of maximum EUR 60bn in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The guarantee covers EUR 11bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 6bn of derivatives are covered by the guarantee as of 31 December 2014. The maximum amount of derivatives guaranteed is EUR 10bn. The guarantee increased the REA by EUR 11bn. The guarantee will generate commission income, while the losses recognised on the guaranteed exposures will be transferred to Nordea Bank AB (publ). The guarantee is priced at arm's length, including expected credit losses and the cost of capital required by the guarantee. All internal transactions in the guarantee are eliminated in the consolidated accounts.

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 group undertakings 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 are considered likely to have any significant adverse effect on the company or its financial position.

P39 Commitments

EURm	31 Dec 2014	31 Dec 2013
Credit commitments	9,710	13,868
Unutilised portion of approved overdraft facilities	14,114	12,845
Total	**23,824**	**26,713**

For information about derivatives see Note P19 "Derivatives and hedge accounting".

P40 Capital adequacy

Table A2 Transitional own funds

For information of the capital adequacy regulations see Note G38 "Capital adequacy".

	Common Equity Tier 1 capital: instruments and reserves	(A) amount at disclosure date, EURm	(C) amounts subject to pre- regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	—
	of which: Share capital	4,050	—
2	Retained earnings	13,111	—
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–5	—
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	–76	—
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**18,160**	**—**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–7	—
8	Intangible assets (net of related tax liability) (negative amount)	–758	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	—
11	Fair value reserves related to gains or losses on cash flow hedges	36	—
12	Negative amounts resulting from the calculation of expected loss amounts	0	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–58	—
15	Defined-benefit pension fund assets (negative amount)	0	—
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–1	—
25	of which: deferred tax assets arising from temporary differences	0	—
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	—
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–208	—
	Of which: …filter for unrealised loss 1	0	3
	Of which: …filter for unrealised gain 1	–208	0
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–996**	**—**
29	**Common Equity Tier 1 (CET1) capital**	**17,164**	**—**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	1,224	—
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	1,576	447
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,800**	**—**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–32	—
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–32**	**—**
44	**Additional Tier 1 (AT1) capital**	**2,768**	**—**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**19,932**	**—**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	4,331	—
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	400	–400
50	Credit risk adjustments	55	—
51	**Tier 2 (T2) capital before regulatory adjustments**	**4,785**	**0**
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–43	—
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–505	—

P40 Capital adequacy, cont.

57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–549**	**—**
58	**Tier 2 (T2) capital**	**4,236**	**—**
59	**Total capital (TC = T1 + T2)**	**24,168**	**—**
60	**Total risk weighted assets**	**78,910**	**—**
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	21.8%	—
62	Tier 1 (as a percentage of risk exposure amount)	25.3%	—
63	Total capital (as a percentage of risk exposure amount)	30.6%	—
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2.5%	—
65	of which: capital conservation buffer requirement	2.5%	—
66	of which: countercyclical buffer requirement	0.0%	—
67	of which: systemic risk buffer requirement	0.0%	—
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	—
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	17.3%	—
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	41	—
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	742	—
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	64	—
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	33,429	—
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	201	—
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	—
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	—
82	Current cap on AT1 instruments subject to phase out arrangements	1,576	—
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–447	—
84	Current cap on T2 instruments subject to phase out arrangements	400	—
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–47	—

P40 Capital adequacy, cont.

Minimum capital requirement and REA

EURm	31 Dec 2014 Minimum capital requirement	31 Dec 2014 REA	31 Dec 2013 Minimum capital requirement	31 Dec 2013 REA
Credit risk	**5,759**	**71,986**	**6,296**	**78,700**
– of which counterparty credit risk	100	1,249	65	809
IRB	2,674	33,429	3,428	42,854
– of which corporate	2,130	26,622	3,100	38,749
– of which advanced	1,461	18,257	—	—
– of which foundation	669	8,365	3,100	38,749
– of which institutions	302	3,777	105	1,318
– of which retail	148	1,854	180	2,254
– of which secured by immovable property collateral	6	78	11	140
– of which other retail	132	1,647	156	1,953
– of which SME	10	129	13	161
– of which other	94	1,176	43	533
Standardised	3,085	38,557	2,868	35,846
– of which central governments or central banks	14	174	2	26
– of which regional governments or local authorities	1	8	—	—
– of which public sector entities	—	—	—	—
– of which multilateral development banks	—	—	—	—
– of which international organisations	—	—	—	—
– of which institutions	1,319	16,481	1,291	16,126
– of which corporate	57	718	53	664
– of which retail	28	345	0	1
– of which secured by mortgages on immovable property	202	2,530	101	1,258
– of which in default	5	60	0	1
– of which associated with particularly high risk	—	—	—	—
– of which covered bonds	0	0	0	6
– of which institutions and corporates with a short-term credit assessment	—	—	—	—
– of which collective investments undertakings (CIU)	—	—	—	—
– of which equity	1,451	18,139	—	—
– of which other items	8	102	1,421	17,764
Credit Value Adjustment Risk	**14**	**172**	**—**	**—**
Market risk	**218**	**2,724**	**128**	**1,596**
– of which trading book, Internal Approach	42	524	34	429
– of which trading book, Standardised Approach	2	26	5	59
– of which banking book, Standardised Approach	174	2,174	89	1,108
Operational risk	**322**	**4,028**	**250**	**3,121**
Standardised	322	4,028	250	3,121
Sub total	**6,313**	**78,910**	**6,674**	**83,417**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	0	0	0	0
Total	**6,313**	**78,910**	**6,674**	**83,417**

Leverage ratio[1]	31 Dec 2014
Tier 1 capital, transitional definition, EURm[2]	20,047
Leverage ratio exposure, EURm	225,148
Leverage ratio, percentage	8.9

1) Leverage ratio and volumnes presented is based on three month average according to local FSA reporting process.
2) Including profit of the period.

More Capital Adequacy information can be found in the section "Risk, Liquidity and Capital Management".

P40 Capital adequacy, cont.

Capital requirements for market risk, 31 December 2014

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	2	0	—	—	—	—	2	0
Equity risk	130	10	26	2	—	—	156	12
Foreign exchange risk	25	2	—	—	2,174	174	2,199	176
Commodity risk	—	—	—	—	—	—	—	—
Settlement risk	—	—	0	0	—	—	0	0
Diversification effect	–2	0	—	—	—	—	–2	0
Stressed Value-at-Risk	369	30	—	—	—	—	369	30
Incremental Risk Measure	0	0	—	—	—	—	0	0
Comprehensive Risk Measure	—	—	—	—	—	—	—	—
Total	**524**	**42**	**26**	**2**	**2,174**	**174**	**2,724**	**218**

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

Table A3-A5 include disclosure of capital instruments' main features in accordance with §6.4 in FFFS 2014:18 and using the template in Annex II in article 3 in Commission implementing regulation (EU) No 1423/2013. Template items are excluded if not applicable.

Table A3 - Capital main features template – CET 1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpeptual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
	Coupons / dividends	
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

P40 Capital adequacy, cont.

Table A4 - Capital instruments' main features – AT1

Additional Tier 1 instrument								
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	US65557AAB35/ USW5816FCM42	W5795#AB5	XS0453319039	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
Regulatory treatment								
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 484.4
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 138m	EUR 494m	EUR 69m	EUR 823m	EUR 816m	EUR 408m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m	USD 600m	JPY 10,000m	USD 1,000m	USD 1,000m	USD 500m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17-Sep-04	4-Mar-05	20-Apr-05	12-Oct-05	25-Sep-09	23-Sep-14	23-Sep-14
12	Perpeptual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes

P40 Capital adequacy, cont.

15	Optional call date, contingent call dates, and redemption amount	17-Sep-09 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-35 In addition tax/ regulatory call 100 per cent of nominal amount	20-Apr-15 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-35 In addition tax/ regulatory call 100 per cent of nominal amount	25-Mar-15 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-19 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-24 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar and 17-Sep each year after first call date	4-Mar and 4-Sep each year after first call date	20-Jan, 20-Apr, 20-Jul and 20-Oct each year after first call date	12-Apr and 12-Oct each year after first call date	25-Mar and 25-Sep each year after first call date	23-Mar and 23-Sep each year after first call date	23-Mar and 23-Sep each year after first call date
Coupons / dividends								
17	Fixed or floating dividend/coupon	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed 5.424 per cent per annum, until first call date, thereafter floating 3-month LIBOR +1.5875 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 8.375 per cent per annum until first call date, thereafter 5-year US Treasury +5.985 per cent per annum, until 25 March 2020, thereafter 5-year US Treasury +8.9775 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	Yes	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	Yes	Yes	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger (s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	To avoid liquidation	To avoid or remedy any breach of Applicable Banking Regulations, shareholders resolution	Group CET1 ratio <8 per cent Issuer CET1 ratio <5.125 per cent	Group CET1 ratio <8 per cent Issuer CET1 ratio <5.125 per cent
32	If write-down, full or partial	Full or Partially	Full or Partially	Full or Partially	Full or Partially	Full or Partially	Full or Partially	Full or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary

P40 Capital adequacy, cont.

34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	No	No
37	If yes, specifiy non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend pusher	N/A	N/A

Table A5- Capital instruments' main features - T2

	Tier 2 instrument					
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/ (sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 997m	EUR 747m	EUR 1,023m	EUR 748m	EUR 816m
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m	EUR 750m	USD 1,000m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.803 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	26-Mar-10	29-Sep-10	13-May-11	15-Feb-12	21-Sep-12

P40 Capital adequacy, cont.

12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	26-Mar-20	29-Mar-21	13-May-21	15-Feb-22	21-Sep-22
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	15-Feb-17 In addition tax call 100 per cent of nominal amount	Tax call/regulatory call, 100 per cent of nominal amount
Coupons / dividends						
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.50 %	4.00 %	4.875 %	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset fixed rate to Euro Swap Rate +3.15 per cent per annum	4.25 %
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No

P41 Classification of financial instruments

31 Dec 2014, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Other financial assets	Non-financial assets	Total
Assets									
Cash and balances with central banks	931	—	—	—	—	—	—	—	931
Treasury bills	—	—	2,427	—	—	2,608	—	—	5,035
Loans to credit institutions	86,259	—	445	0	—	—	—	—	86,704
Loans to the public	34,804	—	5,005	—	—	—	—	—	39,809
Interest-bearing securities	10	112	3,687	—	—	7,512	—	—	11,321
Financial instruments pledged as collateral	—	—	43	—	—	—	—	—	43
Shares	—	—	6,028	33	—	—	—	—	6,061
Derivatives	—	—	3,682	—	2,299	—	—	—	5,981
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1	—	—	—	—	—	—	—	1
Investments in group undertakings	—	—	—	—	—	—	16,986	—	16,986
Investments in associated undertakings	—	—	—	—	—	—	7	—	7
Intangible assets	—	—	—	—	—	—	—	758	758
Property and equipment	—	—	—	—	—	—	—	119	119
Deferred tax assets	—	—	—	—	—	—	—	14	14
Current tax assets	—	—	—	—	—	—	—	50	50
Other assets	786	—	—	10	—	—	—	2,931	3,727
Prepaid expenses and accrued income	803	—	—	—	—	—	—	81	884
Total	**123,594**	**112**	**21,317**	**43**	**2,299**	**10,120**	**16,993**	**3,953**	**178,431**

31 Dec 2014, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	2,508	2,026	—	22,918	—	27,452
Deposits and borrowings from the public	268	466	—	48,633	—	49,367
Debt securities in issue	—	—	—	63,280	—	63,280
Derivatives	3,443	—	1,210	—	—	4,653
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	1,368	—	1,368
Current tax liabilities	—	—	—	—	4	4
Other liabilities	285	—	—	443	2,167	2,895
Accrued expenses and prepaid income	—	—	—	198	444	642
Deferred tax liabilities	—	—	—	—	0	0
Provisions	—	—	—	—	206	206
Retirement benefit liabilities	—	—	—	—	171	171
Subordinated liabilities	—	—	—	7,728	—	7,728
Total	**6,504**	**2,492**	**1,210**	**144,568**	**2,992**	**157,766**

P41 Classification of financial instruments, cont.

31 Dec 2013, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Available for sale	Other financial assets	Non-financial assets	Total
			Held for trading	Designated at fair value through profit or loss					
Assets									
Cash and balances with central banks	45	—	—	—	—	—	—	—	45
Treasury bills	—	17	4,935	—	—	—	—	—	4,952
Loans to credit institutions	80,104	—	271	543	—	—		—	80,918
Loans to the public	30,337	—	—	3,818	—	—	—	—	34,155
Interest-bearing securities	—	321	1,981	—	—	8,826	—	—	11,128
Financial instruments pledged as collateral	—	—	737	—	—	—	—	—	737
Shares	—	—	5,321	30	—	—	—	—	5,351
Derivatives	—	—	2,531	—	1,688	—	—	—	4,219
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–11	—	—	—	—	—	—	—	–11
Investments in group undertakings	—	—	—	—	—	—	17,723	—	17,723
Investments in associated undertakings	—	—	—	—	—	—	7	—	7
Intangible assets	—	—	—	—	—	—	—	729	729
Property and equipment	—	—	—	—	—	—	—	118	118
Deferred tax assets	—	—	—	—	—	—	—	28	28
Current tax assets	—	—	—	—	—	—	—	0	0
Other assets	780	—	—	—	—	—	—	1,753	2,533
Prepaid expenses and accrued income	1,121	—	—	—	—	—	—	170	1,291
Total	**112,376**	**338**	**15,776**	**4,391**	**1,688**	**8,826**	**17,730**	**2,798**	**163,923**

31 Dec 2013, 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	753	2,071	—	14,676	—	17,500
Deposits and borrowings from the public	—	908	—	46,623	—	47,531
Debt securities in issue	0	0	—	62,961	—	62,961
Derivatives	2,614	—	1,013	—	—	3,627
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	715	—	715
Current tax liabilities	—	—	—	—	11	11
Other liabilities	244	0	—	2,925	1,004	4,173
Accrued expenses and prepaid income	—	—	—	759	391	1,150
Deferred tax liabilities	—	—	—	—	10	10
Provisions	—	—	—	—	184	184
Retirement benefit liabilities	—	—	—	—	166	166
Subordinated liabilities	—	—	—	5,971	—	5,971
Total	**3,611**	**2,979**	**1,013**	**134,630**	**1,766**	**143,999**

P41 Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2014	31 Dec 2013
Carrying amount	0	4,361
Maximum exposure to credit risk	0	4,361

Financial assets and liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk

The funding of Markets operations is 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 changes in own credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

2014, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	2,492	2,492

2013, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	2,979	2,979

P42 Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2014		31 Dec 2013	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	931	931	45	45
Treasury bills	5,035	5,035	4,952	4,952
Loans	126,514	126,518	115,062	115,062
Interest-bearing securities	11,321	11,322	11,128	11,135
Financial instruments pledged as collateral	43	43	737	737
Shares	6,061	6,061	5,351	5,351
Derivatives	5,981	5,981	4,219	4,219
Other assets	796	796	780	780
Prepaid expenses and accrued income	803	803	1,121	1,121
Total financial assets	**157,485**	**157,490**	**143,395**	**143,402**
Financial liabilities				
Deposits and debt instruments	149,195	149,792	134,678	135,333
Derivatives	4,653	4,653	3,627	3,627
Other liabilities	728	728	3,169	3,169
Accrued expenses and prepaid income	198	198	759	759
Total financial liabilities	**154,774**	**155,371**	**142,233**	**142,888**

For information about valutation of items measured at fair value on the balance sheet, see Note G1 "Accounting policies" and the section "Determination of fair value for items measured at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value". For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on balance sheet", in Note G40.

P42 Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2014, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	2,814	2,221	—	5,035
Loans to credit institutions	—	445	—	445
Loans to the public	—	5,005	—	5,005
Interest-bearing securities[2]	7,229	3,858	155	11,242
Shares	6,032	—	29	6,061
Derivatives	50	5,911	20	5,981
Other assets	—	10	—	10
Total	**16,125**	**17,450**	**204**	**33,779**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	—	4,534	—	4,534
Deposits and borrowings from the public	—	734	—	734
Derivatives	51	4,590	12	4,653
Other liabilities	185	100	—	285
Total	**236**	**9,958**	**12**	**10,206**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 43m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2013, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	542	4,393	—	4,935
Loans to credit institutions	—	814	—	814
Loans to the public	—	3,818	—	3,818
Interest-bearing securities[2]	11,055	330	159	11,544
Shares	5,326	—	25	5,351
Derivatives	14	4,183	22	4,219
Total	**16,937**	**13,538**	**206**	**30,681**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	—	2,824	—	2,824
Deposits and borrowings from the public	—	908	—	908
Derivatives	17	3,606	4	3,627
Other liabilities	95	149	—	244
Total	**112**	**7,487**	**4**	**7,603**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 737m relates to the balance sheet item Financial instruments pledged as collateral.

For determination of fair values for items measured at fair value on the balance sheet, see Note G40 "Assets and liabilities at fair value".

Transfers between level 1 and 2

During the year, the parent company transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 570m (EUR 223m) from Level 2 to Level 1 of the fair value hierarchy. During 2013 Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 253m from Level 1 to Level 2. The reason for the 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. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. Transfers between levels are considered to have occurred at the end of the year.

P42 Assets and liabilities at fair value, cont.

Movements in Level 3

2014, EURm	1 Jan 2014	Fair value gains/losses recognised in the income statement during the year: Reclassification	Realised	Unrealised	Sales	31 Dec 2014
Interest-bearing securities	159	—	—	—	–4	155
Shares	25	—	4	—	—	29
Derivatives (net)	18	–3	—	–7	—	8

Unrealised gains and losses relates to those assets and liabilities held at the end of the year. No transfers have been made into or out of level 3. Assets and liabilities related to derivatives are presented net.

2013, EURm	1 Jan 2013	Unrealised	Settlements	Net transfers into/ out of level 3	Translation differences	31 Dec 2013
Interest-bearing securities	163	—	–4	—	—	159
Shares	30	—	—	—	–5	25
Derivatives (net)	0	–4	—	22	—	18

Unrealised gains and losses relates to those assets and liabilities held at the end of the year. The parent company has transferred derivatives of EUR 22m from Level 2 into Level 3 during the year. The reason for the transfer from Level 2 to Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note P5). Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

Financial instruments

For information about the valuation processes, see Note G40 "Assets and liabilities at fair value".

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

31 Dec 2014, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Total	**155**			+/–0
Shares				
Unlisted shares	29	Net asset value		+/–2
Total	**29**			+/–2
Derivatives				
Interest rate derivatives	8	Option model	Corrections volatilies	+/–0
Total	**8**			+/–0

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

P42 Assets and liabilities at fair value, cont.

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

31 Dec 2013, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	159	Discounted cash flows	Credit spread	+/–0
Total	**159**			+/–0
Shares				
Unlisted shares	25	Net asset value		+/–2
Total	**25**			+/–2
Derivatives				
Interest rate derivatives	18	Option model	Correlations Volatilies	+/–0
Total	**18**			+/–0

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

The tables above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilites the fair value sensitivity to changes in key assumptions.

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

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

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

P42 Assets and liabilities at fair value, cont.

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

31 Dec 2014, EURm	31 Dec 2014 Carrying amount	31 Dec 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	931	931	45	45	3
Treasury bills[1,2]	0	0	17	17	2
Loans	121,063	121,068	110,430	110,430	3
Interest-bearing securities[2]	122	123	321	328	1,2
Other assets	786	786	780	780	3
Prepaid expenses and accrued income	803	803	1,121	1,121	3
Total	**123,705**	**123,711**	**112,714**	**112,721**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	143,927	144,524	130,946	131,601	3
Other liabilities	443	443	2,925	2,925	3
Accrued expenses and prepaid income	198	198	759	759	3
Total	**144,568**	**145,165**	**134,630**	**135,285**	

1) The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.
2) The fair value of Treasury bills and Interest-bearing securities is EUR 123m (345m), of which EUR 54m (207m) is categorised in Level 1 and EUR 69m (138m) in Level 2 of the fair value hierarchy.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

P43 Financial instruments set off on balance or subject to netting agreements

31 Dec 2014, EURm	Gross recognised financial liabilities[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	5,558	–70	5,488	–1,286	—	–2,157	2,045
Reverse repurchase agreements	218	—	218	—	—	—	218
Securities borrowing agreements	5,232	—	5,232	—	–5,232	—	0
Total	**11,008**	**–70**	**10,938**	**–1,286**	**–5,232**	**–2,157**	**2,263**

31 Dec 2014, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	4,189	–70	4,119	–1,286	—	–363	2,470
Repurchase agreements	43	—	43	—	—	—	43
Securities lending agreements	2,732	—	2,732	—	–2,732	—	0
Total	**6,964**	**–70**	**6,894**	**–1,286**	**–2,732**	**–363**	**2,513**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as "Loans to credit institutions" or "Loans to the public". Repurchase agreements and Securities lending agreements are on the balance sheet classified as "Deposits by credit institution" or as "Deposits and borrowings from the public".

31 Dec 2013, EURm	Gross recognised financial liabilities[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	3,693	–102	3,591	–1,886	–1	–1,228	476
Reverse repurchase agreements	211	—	211	–211	—	—	0
Securities borrowing agreements	4,354	—	4,354	—	–4,354	—	0
Total	**8,258**	**–102**	**8,156**	**–2,097**	**–4,355**	**–1,228**	**476**

31 Dec 2013, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	3,074	–102	2,972	–1,886	—	–123	963
Repurchase agreements	693	—	693	–211	–482	—	0
Securities lending agreements	2,979	—	2,979	—	–2,979	—	0
Total	**6,746**	**–102**	**6,644**	**–2,097**	**–3,461**	**–123**	**963**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as "Loans to credit institutions" or "Loans to the public". Repurchase agreements and Securities lending agreements are on the balance sheet classified as "Deposits by credit institution" or as "Deposits and borrowings from the public".

For more information about the master netting arrangements and similar agreements see section "Enforcable master netting arrangements and similar agreements" in Note G41 "Financial instruments set off on balance or subject to netting agreements".

P44 Assets and liabilities in foreign currencies

31 Dec 2014, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	57.2	57.5	2.4	4.5	35.8	21.0	178.4
Total liabilities	36.2	57.9	2.4	4.5	35.8	21.0	157.8

31 Dec 2013, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	47.2	58.1	4.6	4.7	34.6	14.7	163.9
Total liabilities	27.1	58.3	4.6	4.7	34.6	14.7	144.0

P45 Transferred assets and obtained collaterals

Transferred assets that are still recognised on 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.

EURm	31 Dec 2014	31 Dec 2013
Repurchase agreements		
Treasury bills	43	737
Total	**43**	**737**

Liabilities associated with the assets

EURm	31 Dec 2014	31 Dec 2013
Repurchase agreements		
Deposits by credit institutions	43	753
Total	**43**	**753**

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 2014	31 Dec 2013
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	214	268
– of which repledged or sold	—	268
Securities borrowing agreements		
Received collaterals which can be repledged or sold	5,232	2,077
– of which repledged or sold	5,232	2,077
Total	**5,446**	**2,345**

P46 Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2014, EURm			31 Dec 2013, EURm		
		Expected to be recovered or settled:			Expected to be recovered or settled:		
	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		931	—	931	45	—	45
Treasury bills	P14	—	5,035	5,035	—	4,952	4,952
Loans to credit institutions	P15	62,067	24,637	86,704	64,337	16,581	80,918
Loans to the public	P15	34,829	4,980	39,809	30,308	3,847	34,155
Interest-bearing securities	P16	3,849	7,472	11,321	2,237	8,891	11,128
Financial instruments pledged as collateral	P17	43	—	43	737	—	737
Shares	P18	6,028	33	6,061	5,321	30	5,351
Derivatives	P19	1,520	4,461	5,981	744	3,475	4,219
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	1	1	–2	–9	–11
Investments in group undertakings	P21	30	16,956	16,986	—	17,723	17,723
Investments in associated undertakings	P22	—	7	7	—	7	7
Intangible assets	P23	—	758	758	—	729	729
Property and equipment	P24	0	119	119	—	118	118
Deferred tax assets	P13	11	3	14	19	9	28
Current tax assets		50	—	50	0	—	0
Other assets	P25	3,727	—	3,727	2,533	—	2,533
Prepaid expenses and accrued income	P26	496	388	884	850	441	1,291
Total assets		**113,581**	**64,850**	**178,431**	**107,129**	**56,794**	**163,923**
Deposits by credit institutions	P27	15,595	11,857	27,452	13,356	4,144	17,500
Deposits and borrowings from the public	P28	48,948	419	49,367	47,412	119	47,531
Debt securities in issue	P29	33,755	29,525	63,280	35,606	27,355	62,961
Derivatives	P19	1,023	3,630	4,653	763	2,864	3,627
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	178	1,190	1,368	52	663	715
Current tax liabilities		4	—	4	11	—	11
Other liabilities	P30	2,895	—	2,895	4,173	—	4,173
Accrued expenses and prepaid income	P31	642	—	642	1,150	—	1,150
Deferred tax liabilities	P13	0	—	0	10	—	10
Provisions	P32	43	163	206	42	142	184
Retirement benefit liabilities	P33	—	171	171	—	166	166
Subordinated liabilities	P34	—	7,728	7,728	—	5,971	5,971
Total liabilities		**103,083**	**54,683**	**157,766**	**102,575**	**41,424**	**143,999**

P46 Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2014, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	—	78	681	4,020	639	5,418
Loans to credit institutions	8,033	38,555	18,687	16,661	8,881	90,817
Loans to the public	727	13,870	6,802	15,941	6,437	43,777
Interest bearing securities	—	1,095	1,926	8,333	797	12,151
Other	—	13,606	—	—	—	13,606
Total financial assets	**8,760**	**67,204**	**28,096**	**44,955**	**16,754**	**165,769**
Deposits by credit institutions	3,344	15,023	1,698	7,484	293	27,842
Deposits and borrowings from the public	38,699	7,658	2,410	432	—	49,199
– of which Deposits	38,699	7,658	2,410	432	—	49,199
Debt securities in issue	—	19,491	19,093	23,767	16,989	79,340
– of which Debt securities in issue	—	18,574	17,884	22,723	10,129	69,310
– of which Other	—	917	1,209	1,044	6,860	10,030
Other	—	6,939	—	—	—	6,939
Total financial liabilities	**42,043**	**49,111**	**23,201**	**31,683**	**17,282**	**163,320**
Derivatives, cash inflow	—	28,770	5,394	17,159	5,759	57,082
Derivatives, cash outflow	—	27,963	5,282	16,281	5,152	54,678
Net exposure	**—**	**807**	**112**	**878**	**607**	**2,404**
Exposure	**–33,283**	**18,900**	**5,007**	**14,150**	**79**	**4,853**
Cumulative exposure	**–33,283**	**–14,383**	**–9,376**	**4,774**	**4,853**	**—**

31 Dec 2013, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	—	202	482	4,687	814	6,185
Loans to credit institutions	35	47,340	16,639	13,358	6,021	83,393
Loans to the public	—	11,085	4,586	16,991	4,304	36,966
Interest bearing securities	—	327	2,845	7,450	1,965	12,587
Other	—	—	—	—	11,519	11,519
Total financial assets	**35**	**58,954**	**24,552**	**42,486**	**24,623**	**150,650**
Deposits by credit institutions	1,855	10,808	1,468	3,515	184	17,830
Deposits and borrowings from the public	36,191	8,361	1,634	1,171	294	47,651
– of which Deposits	36,191	8,361	1,634	1,171	294	47,651
Debt securities in issue	—	23,414	13,230	25,119	12,631	74,394
– of which Debt securities in issue	—	23,253	13,110	22,377	7,630	66,370
– of which Other	—	161	120	2,742	5,001	8,024
Other	—	—	—	—	28,209	28,209
Total financial liabilities	**38,046**	**42,583**	**16,332**	**29,805**	**41,318**	**168,084**
Derivatives, cash inflow	—	22,486	21,415	32,842	6,480	83,223
Derivatives, cash outflow	—	22,123	20,049	33,955	5,809	81,936
Net exposure	**—**	**363**	**1,366**	**–1,113**	**671**	**1,287**
Exposure	**–38,011**	**16,734**	**9,586**	**11,568**	**–16,024**	**–16,147**
Cumulative exposure	**–38,011**	**–21,277**	**–11,691**	**–123**	**–16,147**	**—**

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 instruments on the balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 23,824m (EUR 26,713m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 71,103m (EUR 70,385m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

P47 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 "Accounting policies", section 26 and Note G46 "Related-party transactions".

EURm	Group undertakings 31 Dec 2014	Group undertakings 31 Dec 2013	Associated undertakings 31 Dec 2014	Associated undertakings 31 Dec 2013	Other related parties 31 Dec 2014	Other related parties 31 Dec 2013
Assets						
Loans and receivables	82,711	80,672	369	141	—	—
Interest-bearing securities	64	117	—	—	—	—
Derivatives	2,495	1,766	5	6	—	—
Investments in associated undertakings	—	—	7	7	—	—
Investments in group undertakings	16,986	17,723	—	—	—	—
Other assets	857	847	—	—	—	—
Prepaid expenses and accrued income	638	768	—	—	—	—
Total assets	**103,751**	**101,893**	**381**	**154**	**—**	**—**

EURm	Group undertakings 31 Dec 2014	Group undertakings 31 Dec 2013	Associated undertakings 31 Dec 2014	Associated undertakings 31 Dec 2013	Other related parties 31 Dec 2014	Other related parties 31 Dec 2013
Liabilities						
Deposits	15,240	6,688	2	2	20	21
Debt securities in issue	260	340		—	—	—
Derivatives	3,246	2,252	—	—	—	—
Other liabilities	4	267	—	—	—	—
Accrued expenses and deferred income	240	172	—	—	—	—
Subordinated liabilities	20	—	—	—	—	—
Total liabilities	**19,010**	**9,719**	**2**	**2**	**20**	**21**
Off balance[1]	**72,836**	**77,684**	**1,809**	**1,931**	**—**	**—**

1) Including guarantees to Nordea Bank Finland Plc and Nordea Bank Polska S.A., see Note P38 "Contingent liabilities" as well as nominal values on derivatives in associated undertakings.

EURm	Group undertakings 2014	Group undertakings 2013	Associated undertakings 2014	Associated undertakings 2013	Other related parties 2014	Other related parties 2013
Net interest income and expenses	108	209	3	1	0	0
Net fee and commission income	406	612	0	—	—	—
Net result from items at fair value	–309	525	12	9	—	—
Other operating income	687	637	—	—	—	—
Total operating expenses	–137	–133	0	—	—	—
Profit before loan losses	**755**	**1,850**	**15**	**10**	**0**	**0**

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Nordea Bank AB (publ) takes part in a guarantee consortium to support Norwegian Eksportfinans ASA. For further information, see Note G46 "Related-party transactions".

Signing of the Annual Report

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.

5 February 2015

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Elisabeth Grieg
Board member

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member[1]

Lars G Nordström
Board member

Lars Oddestad
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Kari Stadigh
Board member

Christian Clausen
President and CEO

Our audit report was submitted on 6 February 2015

KPMG AB

Hans Åkervall
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 2014. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 28–209.

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 2014 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 2014 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 also audited 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 2014.

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, 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 Director's report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

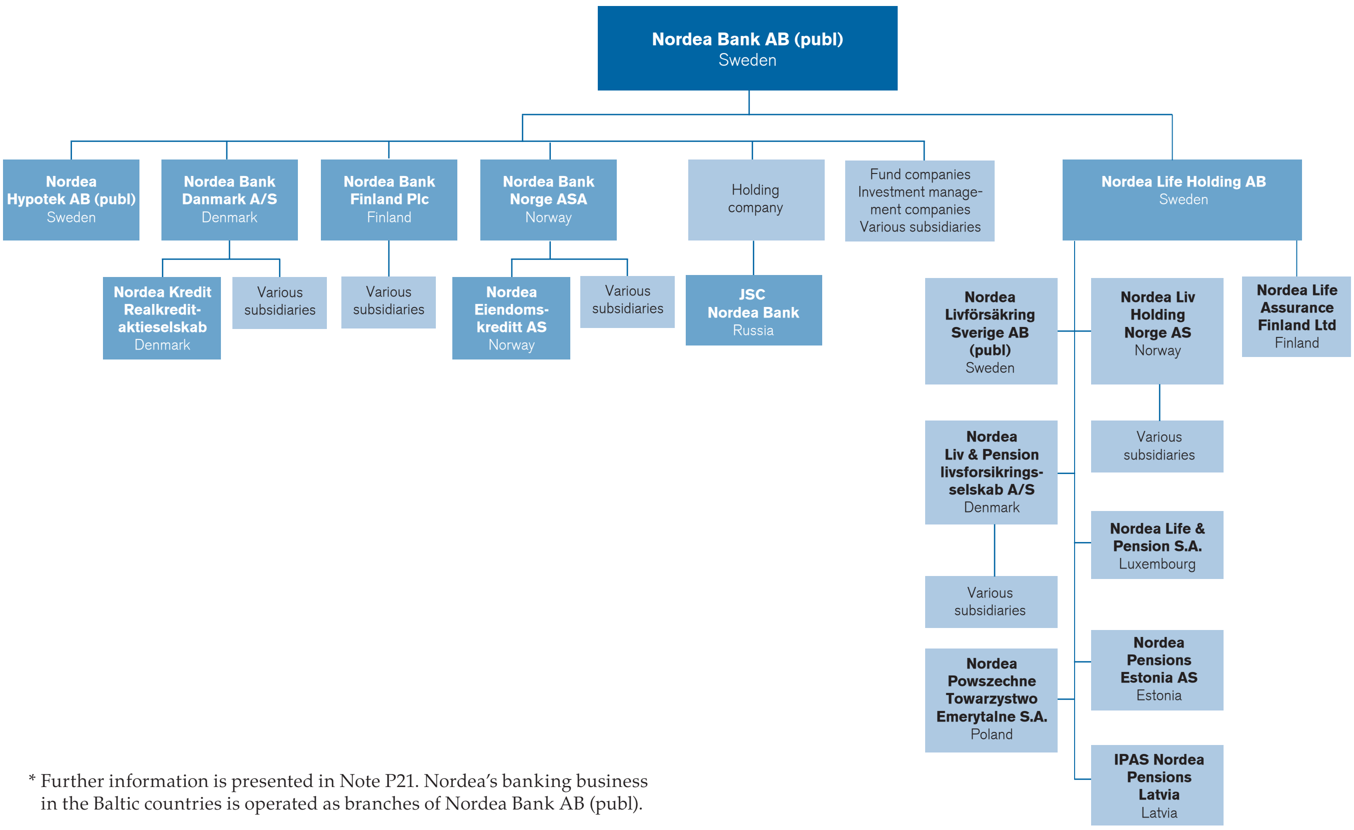
Stockholm, 6 February 2015

KPMG AB

Hans Åkervall
Authorised Public Accountant

Legal structure

Main legal structure*, as of 31 December 2014



* Further information is presented in Note P21. Nordea's banking business in the Baltic countries is operated as branches of Nordea Bank AB (publ).

Board of Directors


Björn Wahlroos


Marie Ehrling


Elisabeth Grieg


Tom Knutzen


Robin Lawther


Lars G Nordström


Sarah Russell


Kari Stadigh

Björn Wahlroos
Chairman
Ph.D (Economics), 1979. Board member since 2008 and Chairman since 2011. Born 1952. Nationality Finnish.
Board Chairman of Sampo plc and UPM-Kymmene Corporation.
Other assignments: Board Chairman of 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 and CEO 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 of Economics at Hanken School of Economics
1974–1979	Assistant professor and lecturer in Finance at Hanken School of Economics

Shareholding in Nordea: 100,000*

Marie Ehrling
Vice Chairman
BSc (Economics). Board member since 2007 and Vice Chairman since 2011. Born 1955.
Nationality Swedish.
Board Chairman of the TeliaSonera AB (publ)
Board member of Securitas AB and Axel Johnson AB.
Other assignments: Board member of Centre for Advanced Studies of Leadership at Stockholm School of Economics and the Advisory Board Stockholm School of Economics. 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*

Elisabeth Grieg
Bachelor (Economics) and Master (Human resources management).
Board member since 2013. Born 1959. Nationality: Norwegian.
Board Chair of Snøhetta Design AS.
Board member of Grieg Maturitas AS and Board chair/Board member of several other companies within the Grieg Group.
Vice chair of Salthavn AS and board member of a group company.
Other assignments: Board member of the Grieg Foundation and the SOS Children's Villages Norway. Member of the Nordic Committee of Det Norske Veritas (DNV). Advisory board member of Bellona (Sahara Forest Project).

Previous positions:

2011–2013	Board Chair of Norwegian Guarantee Institute for Export Credits (GIEK)
2002–2010	President (2008-2010), Vice president (2004-2008) and Board member (2002-2004) of Norwegian Shipowners' Association
2007–2010	Board member of Statoil ASA
2001–2007	Board member of Norsk Hydro ASA including deputy chair (2006-2007) and acting chair (2007)
1985–1987	Analyst in Shipping Division of Bergen Bank
1982–1985	Chartering assistant of Star Shipping, San Francisco and New York

Shareholding in Nordea: 5,400*

Tom Knutzen
MSc (Economics). Board member since 2007. Born 1962.
Nationality Danish.
CEO Jungbunzlauer Suisse AG and Board chairman of group companies.
Board member of FLSmidth & Co A/S.

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 Ahola


Toni H. Madsen


Lars Oddestad


Hans Christian Riise

Robin Lawther
BA Honours (Economics) and MSc (Accounting & Finance).
Board member since 2014. Born 1961.
Nationality American and British.
Board member of UK Government's Shareholder Executive.

Previous positions:

1985–2012	Various positions within J.P. Morgan:
2011–2012	Head, Wealth Management for Southeast, USA
2007–2011	Head, Nordic Investment Bank, UK
2005–2007	Head, Mergers & Acquisitions Execution, European Financial Institutions, UK
2003–2005	Head, Commercial Banking Group, UK
1994–2005	Managing Director, Financial Institutions Investment Banking, UK
1990–1994	Vice President, Mergers & Acquisitions, UK
1985–1990	International Capital Markets, USA

Shareholding in Nordea: 50,000*

Lars G Nordström
Law studies at Uppsala University. Board member since 2003.
Born 1943. Nationality Swedish.
Board Chairman of Vattenfall AB.
Board member of Viking Line Abp.
Other assignments: Board Chairman of the Finnish-Swedish Chamber of Commerce. Board member of 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 (Executive Vice President from 1989)

Shareholding in Nordea: 23,250*

Sarah Russell
Master of Applied Finance. Board member since 2010. Born 1962.
Nationality Australian.
CEO Aegon Asset Management Holdings NV and Board member of a group company.

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*

Kari Stadigh
Master of Science (Engineering) and Bachelor of Business Administration. Board member since 2010. Born 1955.
Nationality Finnish.
Group CEO and President of Sampo plc.
Board Chairman of If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Limited.
Board member of Nokia Corporation and Oy Forcit AB.
Other assignments: Vice chairman of The Federation of Finnish Financial Services. Board member of Finland Chamber of Commerce and of Niilo Helander Foundation.

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 since 2006. Born 1960. Shareholding in Nordea: 0*

Toni H. Madsen
Board member since 2013. Born 1959. Shareholding in Nordea: 3,299*

Lars Oddestad
Board member since 2009. Born 1950. Shareholding in Nordea: 0*

Hans Christian Riise
Board member since 2013. Born 1961. Shareholding in Nordea: 0*

* Shareholdings, as of 31 December 2014, also include shares held by family members and closely affiliated legal entities.

Group Executive Management

Group Executive Management, from left to right: Mads G. Jakobsen, Lennart Jacobsen, Gunn Wærsted, Christian Clausen, Casper von Koskull, Ari Kaperi, Torsten Hagen Jørgensen.

Christian Clausen
President and Group CEO since 2007.
Master of Science (Economics). Appointed member of GEM 2001.
Born 1955.
Board member of the Swedish Bankers' Association

Previous positions:
2011–2014 President of the European Banking Federation
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: 187,971 Nordea[1]

Lennart Jacobsen[2]
Executive Vice President, Head of Retail Banking.
Born 1966.
Appointed member 2013.
Shareholding: 3,000 Nordea[1]

Mads G. Jakobsen[2]
Executive Vice President, Deputy Head of Retail Banking.
Born 1966.
Appointed member 2014.
Shareholding: 25,145 Nordea[1]

Torsten Hagen Jørgensen
Executive Vice President, Group CFO, Head of Group Corporate Centre.
Born 1965.
Appointed member 2011.
Shareholding: 63,988 Nordea[1]

Ari Kaperi[2]
Executive Vice President, Group CRO, Head of Group Risk Management.
Born 1960.
Appointed member 2008.
Shareholding: 67,279 Nordea[1]

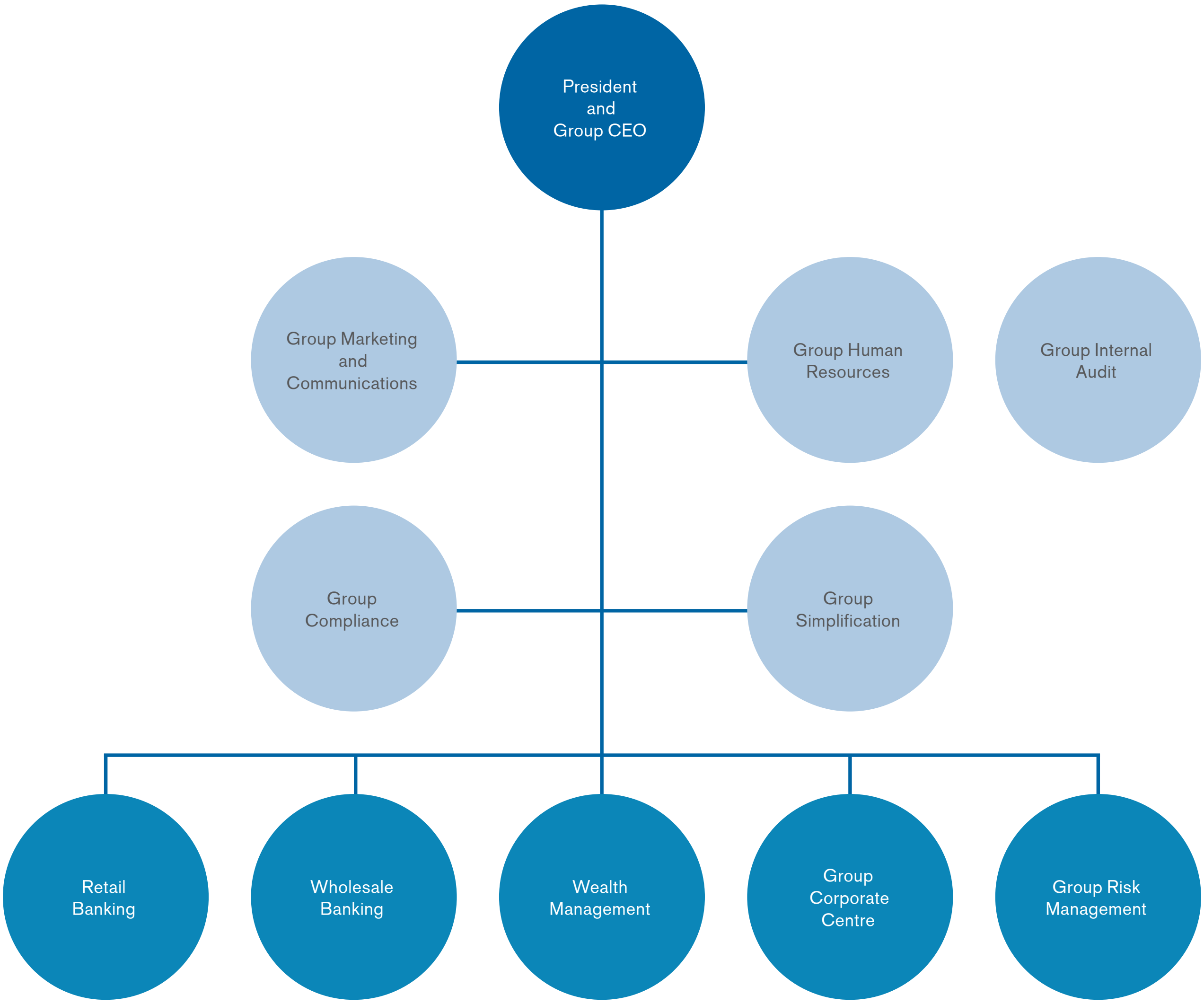
Casper von Koskull
Executive Vice President, Head of Wholesale Banking.
Born 1960.
Appointed member 2010.
Shareholding: 86,026 Nordea[1]

Gunn Wærsted[2]
Executive Vice President, Head of Wealth Management.
Born 1955.
Appointed member 2007.
Shareholding: 96,539 Nordea[1]

1) Shareholdings, as of 31 December 2014, also include shares held by family members and closely affiliated legal entities.
2) Country Senior Executive.

Group Organisation

As of February 2015



Ratings

	Moody's Investors Service		Standard & Poor's		Fitch		DBRS	
	Short	Long	Short	Long	Short	Long	Short	Long
Nordea Bank AB (publ)	P–1	Aa3[2]	A–1+	AA–[2]	F1+	AA–	R–1 (high)	AA
Nordea Bank Danmark A/S	P–1	A1	A–1+	AA–[2]	F1+	AA–	R–1 (high)	AA
Nordea Bank Finland Plc	P–1	Aa3[2]	A–1+	AA–[2]	F1+	AA–	R–1 (high)	AA
Nordea Bank Finland Plc, covered bonds		Aaa[1]						
Nordea Bank Norge ASA	P–1	Aa3[2]	A–1+	AA–[2]	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.
2) Negative outlook.

Annual General Meeting 19 March 2015

Nordea's Annual General Meeting (AGM) 2015 will be held on Thursday 19 March at 13.00 CET at Vinterträdgården, Grand Hôtel, entrance Royal, Stallgatan 4, 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 13 March 2015 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 13 March 2015. 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 13 March 2015 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 12 March 2015 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 12 March 2015 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 2015

Annual General Meeting	19 March
Ex-dividend date	20 March
Record date	23 March
Dividend payments	30 March
1st quarter results	29 April
2nd quarter results	16 July
3rd quarter results	21 October

Contacts

Torsten Hagen Jørgensen, Group CFO/EVP
Phone: +46 8 614 78 00

Investor Relations
Rodney Alfvén, Head of Investor Relations
Andreas Larsson
Emma Nilsson
Ylva Andersson
Carolina Brikho

SE-105 71 Stockholm, Sweden Phone: +46 10 156 2962

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 on the website and via Investor Relations.

The annual reports of Nordea Bank Danmark A/S, Nordea Bank Norge ASA and Nordea Bank Finland Plc can be downloaded from www.nordea.com

Nordea's report on Capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Directive, is presented on www.nordea.com.

The Annual Report 2014

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 211. 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).

Layout and production Appelberg | Photo Ida Schmidt, Paulina Westerlind, Tobias Ohls, Dan Coleman, Per Myrehed | Print Åtta.45