



Annual Report 2015



*Casper von Koskull, President
and Group CEO, and Torsten
Hagen Jørgensen, Group COO
and Deputy CEO*

Customer vision:

Easy to deal with ...

... relevant and competent ...

... anywhere and anytime ...

*... where the personal and digital
relationship makes Nordea
my safe and trusted partner*

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This Annual Report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macro economic 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.



Largest and most diversified retail bank in the Nordics

Retail Banking

"Retail extends the relationship banking concept to its digital channels, reflecting changes in customer behaviour."

page 9



Leading wholesale bank in the Nordics

Wholesale Banking

"Strengthened customer relationships built on core capabilities and winning culture."

page 13



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."

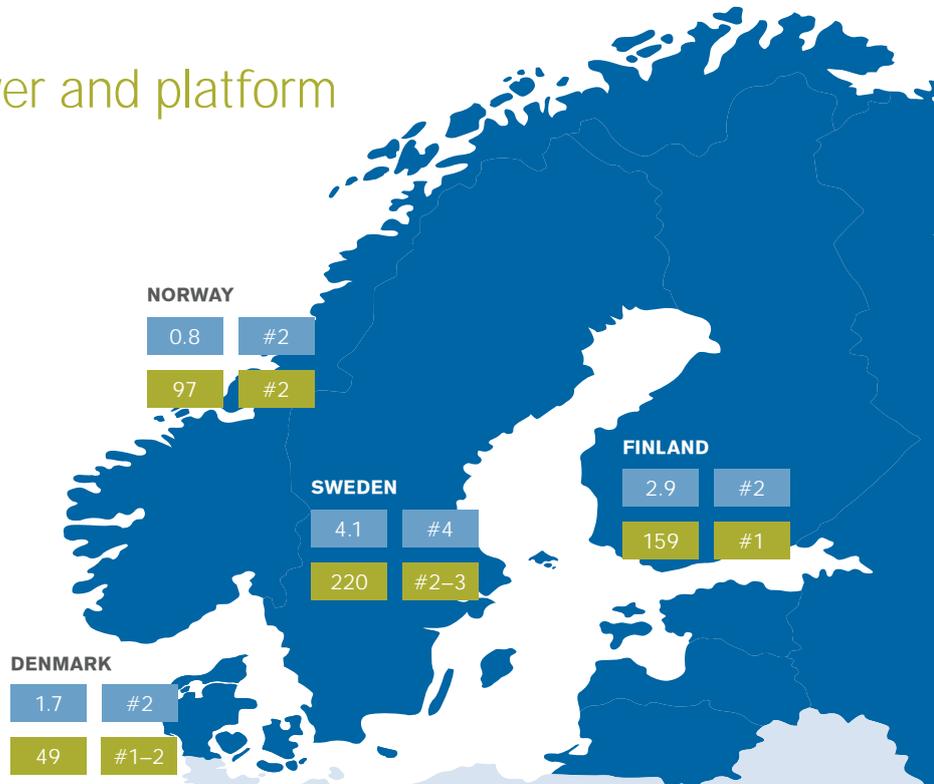
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Leading platform

Nordic distribution power and platform

Customer relationships and market position

Household customers No. of relationships (mill)	Household customers Market position
Total: 10.2	#1
Corporate & Institutional customers No. of relationships (th)	Corporate & Institutional customers Market position
Total: 590	#1



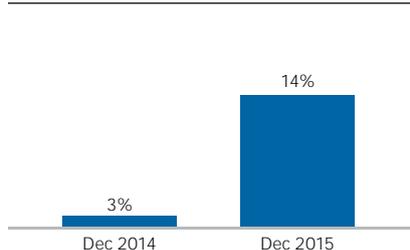
Nordea has a superior customer franchise and a unique position in the Nordics

- Best Private Bank in the Nordics**
The Banker
- Best Investment Bank Nordic Region, Global Finance**
- Bank of the Year in Western Europe, The Banker**
- Best Foreign Exchange Provider Nordic Region, Global Finance**
- Best ESG investment process in Europe, Capital Finance International**

Capabilities creating customer value

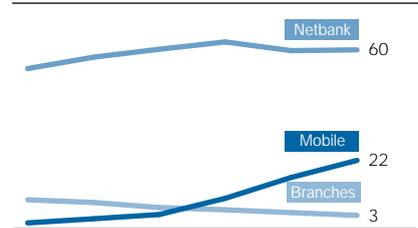
Nordea has leading financial services capabilities delivered through preferred customer channels

Online Advisory Meetings¹



1) Online meetings share of total meetings excl. corporate customers

Transactions, m²

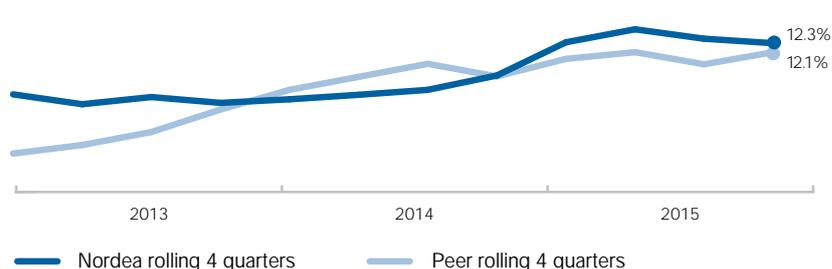


2) Q3 2010-Q3 2015

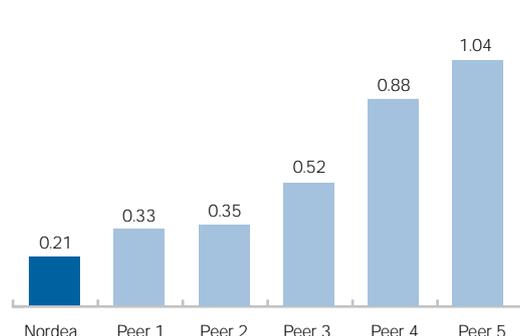
Nordea is the most diversified bank in the Nordics with strong capital generation

Relative RoE performance¹

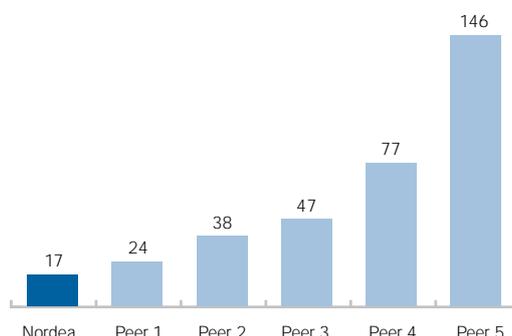
Nordea has delivered competitive returns with the lowest risk in the Nordics through a well diversified business.



Quarterly CET1 ratio volatility², %



Quarterly net profit volatility³, %



Capital generation and dividend growth

Nordea has consistently generated new capital while growing dividends over the past decade.



1) 2013–2015. Excl. non-recurring items.

2) 2006–2015. Calculated as quarter on quarter volatility in CET1 ratio, adjusted so that the volatility effect of the instances in which the CET1 ratio increases between quarters are excluded.

3) 2006–2015.

4) Adjusted for EUR 2.5bn rights issue in 2009. Equity columns represent end-of-period equity less dividends for the year. No assumption on re-investment rate for paid out dividends.



“My vision for the future Nordea is to be a bank that is personalised and relevant for each and every customer”

Towards One Nordea

– an agile and robust bank engaging with its customers

Dear Shareholder,

Over the past years we have created one of the most stable banks in Europe, providing a strong foundation for serving our customers and fulfilling our role in society. In 2015 Nordea once again demonstrated a robust financial performance and, at the same time, delivered as planned on our strategic agenda. We all know that our sector is facing the greatest banking transformation in history, driven by changed customer behaviour, new technology and regulatory requirements. But, we have laid the foundation of financial strength and stability to take the bank through these challenges. And, in the coming years, we will take the steps towards becoming One Nordea – a digital,

agile, efficient and robust bank that fully capitalises on its size and the immense expertise of our 30,000 employees. A bank in which our customers experience the full benefits from our combined expertise and our engagement through much more personalised and convenient services.

Challenging 2015

The past year was challenging with exceptionally low and even negative interest rates, geopolitical tensions and market turmoil. It was also a year with diverging trends in the Nordic economies. While Sweden continued to show one of the best growth rates in Europe, Finland struggled to get back to a growth path. Norway experienced a slowdown, mainly in the

offshore economy, and Denmark showed a better growth rate with property prices back to pre-crisis levels.

Under these market conditions I am pleased to report a three per cent increase in the income level in local currencies and excluding one-offs. We also delivered a reduction in costs to EUR 4.7bn, in line with our target, which improved the cost-to-income ratio to the all-time low level of 47%. Credit quality improved during the year to the strongest level since 2007. Consequently, the operating profit improved by 7% to an all-time high and Return on Equity improved to 12.3%.

We also received recognition for our efforts. Our robust performance

was noted internationally by The Banker, with the prestigious award Best Bank in Western Europe 2015 in December, an award that came on top of many other recognitions in 2015.

Customers go digital

Also in 2015, digitalisation had a significant impact on our business in Retail Banking. Our customers' usage of online and mobile solutions is still growing rapidly, both among households and corporates. Not only are daily transactions increasingly carried out digitally; customers also appreciate the accessibility of online meetings, with one out of seven customer meetings now being held online.

We continuously develop new features and functionalities. One example is the new feature launched in the fourth quarter in our mobile app, providing our customers with easy one-tap access to personal advice. The introductions of eBranches and Online meetings in 2015 are other examples of increased availability and convenient offerings to our customers. In 2016 we are increasing our ambitions in developing new digital solutions for corporate and household customers even further, and will almost double our investments and create two hubs in Finland and Denmark focused exclusively on digital development.

Leading within corporate and institutions

In 2015 our Wholesale Banking business consolidated its position as the leading business partner to corporates and institutions in the Nordics. A successful journey over the last few years has secured a substantial lead-bank footprint in all the Nordic markets and the number one position overall. Among a number of recognitions based on customer evaluation of our services Nordea was named Best Equity Research and Brokerage in the Nordic region by TNS SIFO Prospera.

Also in Wholesale Banking, our offerings are digitalised to create efficient online workflows for our customers. Our third generation e-Markets platform now offers updated user interfaces, new self-service options and the flexibility of mobile offerings.

Continued growth in international fund sales

In Wealth Management, international sales of Nordea funds exceeded Nordic sales in the fourth quarter. Nordea

was the eighth best-selling fund provider in Europe in 2015.

In Private Banking and Asset Management, the year was heavily influenced by the prevailing low interest rates. This environment makes it difficult to achieve a satisfactory investment result without excessive risks, prompting many customers to look for stable return at a low risk. Here, our experience in managing risk levels to match future possible returns with our customers' expectations and risk profiles proved its value and was highly appreciated by our customers. Also in this area we received recognition as Nordic Private Banking was awarded the best private bank in the Nordics by The Banker.

In Life & Pensions we were able to report a new record. Our gross written premiums reached new highs, mainly driven by Nordea's distribution network, which generated 75% of the sales.

Our responsibility and role in society

We are aware that our size and capabilities imply special obligations as a company and financial institution in our societies. It goes without saying that we are fully committed to being compliant with regulations and combating illegal transactions, and we will continue to strengthen this area in 2016. It's crucial that we make compliance part of our culture and that all of us in every unit take action when needed.

As a large bank, we have a responsibility towards society in many respects, and that's why focusing on environmental, social and governance issues is an important part of our daily work. In 2015 the growing global environmental problems were discussed at COP21 in Paris in December. Climate change is one of the greatest risks we face; tackling it is also one of our biggest economic opportunities. As an initial step in the Nordea Group, Nordea Asset Management stopped investing in companies that derive more than 75% of their revenue from the sale of coal products. In 2015 Nordea also decided to become a carbon-neutral company by offsetting its own operational emissions.

2016–2018 – a transition period to deliver One Nordea

All shareholder value is created by generating customer value. The coming three years will be a transition

period where we will execute on our transformational change agenda in order to create a truly digital bank. This change agenda is driven by changed customer behaviour, a shift in technology as well as regulatory requirements.

A number of activities and investments will be undertaken the next couple of years as we accelerate this transition. We will continue the shift from physical to digital distribution, establish e-branches and focus on business in existing home markets. And our employees will focus even more on supporting digital development.

These activities will be carried out during 2016–2017 and will start to deliver efficiencies as early as late in 2016, enabling us to continue to invest in competencies, product offerings and IT.

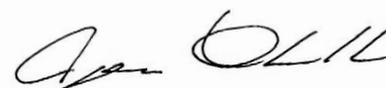
As communicated in 2015, Nordea is working on simplifying its legal structure with the aim to change the Norwegian, Danish and Finnish banks to branches of the Swedish parent company. The preparations progress as planned including presenting the proposal to the AGM in March. The changes to the legal structure depend on among other things regulatory approvals and a satisfactory outcome of discussions with the authorities in each country.

Together with the investments in our core banking platform, these changes will lead to a more efficient and straightforward structure and will reduce administrative complexity to the benefit of our customers, employees and investors.

We continue to build an even better Nordea

My vision for the future Nordea is to be a bank that is personalised and relevant for each and every customer. A bank that meets our ambition to have the most satisfied customers in each of our markets. We need to meet our customers both personally and digitally – in a seamless interaction that is driven by their preference. One Nordea, our future digital factory and skilled and engaged employees will make it possible for us to be that future bank.

Best regards,



Casper von Koskull

Committed to creating shareholder value

Nordea has in recent years successfully delivered on its 2015 plan, building capital and restoring sustainable returns to meet new regulatory requirements. Nordea continues to strive to provide great customer experience and holistic financial solutions in a low-risk, efficient and diversified manner.

Nordea has delivered on its 2015 plan

Commitments in 2015 plan	Nordea has delivered (Q4 2012 vs. Q4 2015)
Strong capital generation and return of excess capital to our shareholders	Capital generation of EUR 8.4bn with 16.5% CET1. DPS CAGR 23% ¹ ✓
RoE target of 13% with current interest rates (15% at normalised interest rates) at a CET1 ratio > 13%	RoE 12.3%, 14.5% if CET1 at 13%, ancillary income +15% and delivered on cost activities ✓
Delivering low volatility results based on a well-diversified and resilient business model	Loan losses at 14 bps, below 10 year average of 16 bps ✓

1) Assuming dividend proposal for 2015 of 0.64 EUR per share.

Group 2013 to 2015 – performance and value drivers

Market characteristics	GDP growth Low	Interest rates Low	Volatility Low	Regulation High	Industry Transformation High
Top line drivers	NII -8%	Fee & Commission +15%	Cost/Income ¹ -4 pp	Lending ⁴ ±0%	AuM ⁴ +24%
Value drivers	Pricing Competitive & Disciplined	AuM Net flow +34bn	Cost ^{1,2} -5.3%	CET1 ratio ⁴ +1.6 pp	Loan losses -35%
Value creation	Market position #1 or strengthened position in all markets	Return ^{1,3} +2.2 pp	Dividend growth +49%		

1) Excl. non-recurring items.

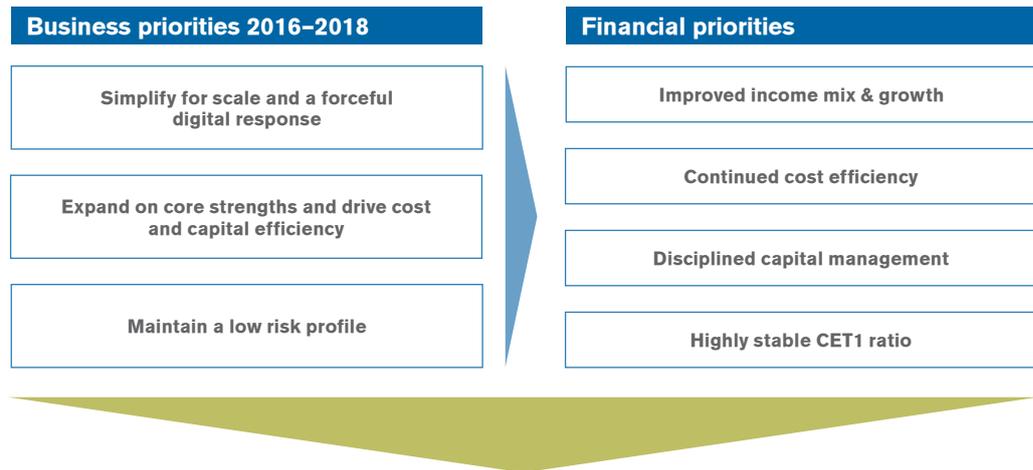
2) Excluding currency effects, unexpected increases in performance-related salaries and further costs to meet regulatory requirements that were not part of the original 2015 plan.

3) Assuming constant CET1 capital requirement and one-off adjusted.

4) EoP 15 vs EoP 13.

Strategic direction 2016–2018

Nordea has a clear strategic direction built on core strengths. Focus is on a continued strive for efficiency and delivering the future relationship bank.

**Market Commitments and Financial Priorities 2016–2018**

Strong capital generation and efficiency with return of excess capital to shareholders	Group Financial Targets 2016–2018	
RoE above the Nordic peer average	Dividend policy	To maintain a strong capital position in line with Nordea's capital policy. The ambition is to achieve a yearly increase in the dividend per share
Maintain a low risk profile based on actively managed and resilient businesses	Capital policy	Management buffer of 50–150 bps above the regulatory CET1 requirement
	RoE	RoE above the Nordic peer average ¹
	Costs	<1% cost CAGR ²
	REA	Largely unchanged

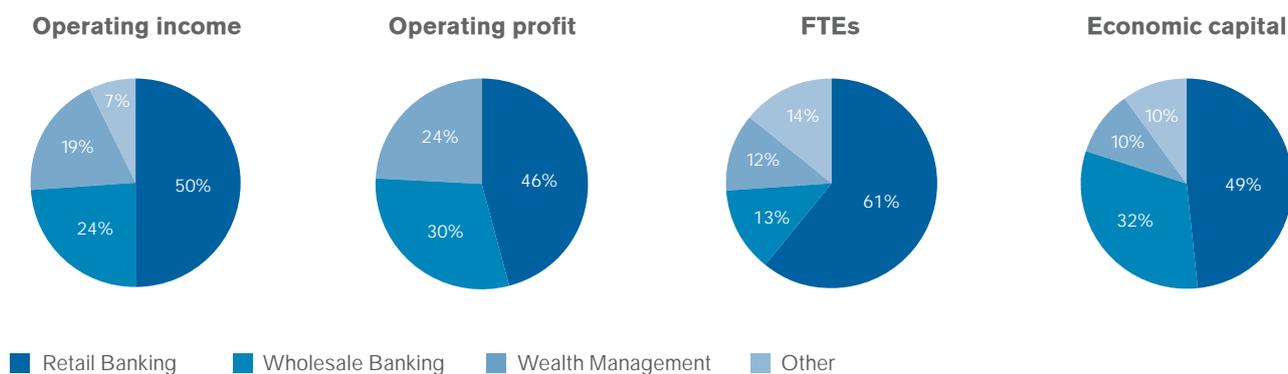
1) Weighted to reflect Nordea's Nordic geographic mix.

2) Excluding FX and performance-related salaries.

Business Areas

The three main business areas are designed to support the relationship strategy for each specific customer segment. Having one operating model and an end-to-end value chain ensures optimal delivery, increasing the time spent with customers and reducing the time required to bring new products and services to market.

Business Area contribution, 2015



Retail Banking

- Leading Nordic Retail Bank
- Strong growth in operating profit despite significant impact from negative interest rates
- One out of seven advisory meetings held online
- Long-term ambition to be No. 1 in profitability, customer and employee satisfaction
- Advisory – anytime, anywhere
- Digital experience – tailored to customer needs and preferences
- Efficiency and scale – One Nordic model

Wholesale Banking

- No. 1 Wholesale Bank in the Nordics
- Strong return despite challenging markets and intense competition
- Continued electrification and further developing of e-Markets
- Strong long-term customer relationships
- Advisory value add and strong capital market financing capabilities

Wealth Management

- Largest private bank, asset manager and life & pensions provider in the Nordics
- Strongest financial result ever as profits grew beyond EUR 1bn
- Our offering attracted a net flow of EUR 14.9bn in 2015
- Delivering advice and solutions of superior quality
- Well-diversified, high growth, and capital-light business



Business Area
Retail Banking



Mads G Jakobsen, Deputy Head of Retail Banking, and Lennart Jacobsen, Head of Retail Banking.

Nordea has the largest customer base of any bank in the Nordic and Baltic region. In Retail Banking around 20,000 people serve more than 10 million household and more than 500,000 corporate customers through a mix of physical and digital channels across seven markets. All employees work towards enhancing consistent and great customer experiences.

The business area consists of the retail banking business in the Nordic region and the Baltic countries. Retail Banking offers a full range of financial services and solutions to our customers in the Nordic region, ranging from the smallest households to the larger corporates.

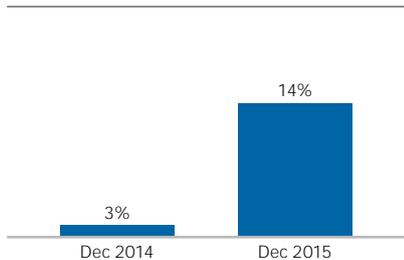
Through strong and relevant advice, our aim is for customers to entrust us with all their banking business. Retail Banking is extending the relationship banking concept to its digital channels, reflecting the rapid changes in customer behaviour.

Business development

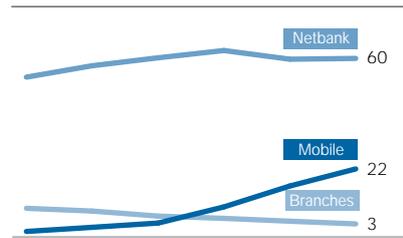
The Retail Banking business is undergoing significant transformation. The digitalisation of society is rapidly changing customer behaviour and expectations for both household and corporate customers and we are experiencing massive growth in online/mobile usage. At the same time, manual transactions in branches continue to decline.

Following these developments, in 2015 we continued to increase ease, convenience and accessibility for our customers though e.g.:

- Introduction of eBranches and Online meetings for both corporate and household customers. Extending our relationship banking strengths across channels.
- Launch of a new daily banking app for corporates. Allowing small businesses to gain an overview of their finances and handle most of

Online advisory meetings¹

1) Online meetings share of total meetings excl. corporate customers.

Transactions, m²

2) Q3 2010 – Q3 2015.

their daily banking tasks via the mobile on the go.

- New and improved functionality in the mobile app for household customers. For example, click to call and click to chat to get easy access to personal advice via the mobile.
- Touch-ID to log on and shake to log out, making it easier to bank with us.

In parallel, we are continuously improving our relevance and customer relationships through strong advice and improved tools, helping our customers in their big decisions. In 2015 we drew up 686,000 savings and investment plans together with our customers.

2015 was also the year in which we intensified co-operation with start-ups. Startup Accelerator is an example of how partners and startups have been involved in co-creating new innovative solutions for our customers.

Result

Total income decreased 6%, down 4% in local currencies, from 2014. The negative interest rates in Denmark, Sweden and euro countries had a substantial impact on net interest income which decreased 9%, down 7% in local currencies. Demand from corporate customers for financing remained subdued, while lending to household customers grew, especially in Sweden and Norway. Deposit volumes increased 2% during the year. Net fee and commission income was close to unchanged, while items at fair value showed a positive development, driven by high customer activities in the risk management area.

Total expenses were down 6% in local currencies, a result of the continuous work to improve efficiency in the operations and the branch network

transformation. The number of FTEs was slightly up, mirroring the increased ambitions and pace in the digital development together with increasing demands within the compliance area.

Risk exposure amount (REA) was unchanged in local currencies from last year and ROCAR was stable at 14%.

Credit quality

Net loan losses continued to decrease and the loan loss ratio was 14 basis points (19 basis points in 2014). Improved credit quality was driven by the development in Denmark and Norway while losses in Sweden and Finland increased from very low levels in the year before.

Denmark

The negative interest rate regime had a major impact on net interest income, but a continued high activity level all through 2015 resulted in profit before loan losses nearly at same level as last year. Costs were down 10% and loan losses stayed on the downward trend and are almost halved compared to 2014. The transition towards The Future Relationship Bank continues at a high speed with a very significant increase in the number of customers being served in an increasing number of e-branches.

Finland

Operating profit increased 4% in 2015 from the previous year as income increased and costs decreased. Total income growth was mainly driven by strong sales of markets products, especially sales of derivatives and foreign exchange showed impressive growth. FTEs continued to decrease even with investments in online meetings and Contact Centre. Despite the continuing weak macroeconomic environment lending and deposit volumes have increased steadily from

year end and net loan losses are still at a moderate level.

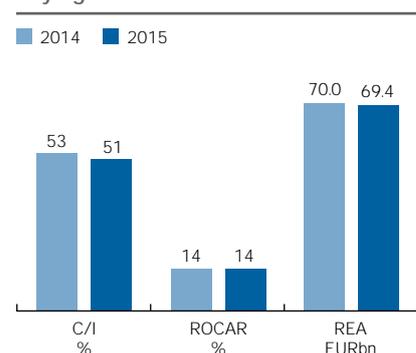
Norway

A further weakening of the NOK, due to the negative effects of the lower oil price is expected to have on the Norwegian economy, had a significant impact on the income and expense development. The high customer activity continued in 2015, resulting in solid growth in household business volumes. Ancillary income continued to grow mainly driven by net result from items at fair value. Total expenses and the number of full time employees were reduced according to plan. Loan losses decreased in 2015.

Sweden

Driven by the turbulence in the European and international economy, the pressure on short-term interest rates was further intensified. This led Riksbanken to introduce negative repo rate early in 2015, and this ended at -0.35% by the close of 2015. This put severe pressure on the deposit net interest income. At the same time, customers' interest in investment products increased, which led to record strong sales of these products. On the lending side, corporate customers' demand for financing remained modest while

Key figures



competition for new lending contracts remained fierce.

Banking Baltic countries

Nordea’s operations in the Baltic countries showed a strong financial performance in 2015. Income growth was supported by all main income items. The double-digit increase of commission was driven by growing number of transactions in both segments. The positive outcome in terms of foreign exchange and derivatives contributed to an improved net fair value result. Due to increasing deposit volumes and stable trends in lending,

the deposit-to-lending ratio improved significantly, ensuring a more efficient and sustainable balance sheet structure.

Strategic focus areas and value drivers

The long-term ambition for Retail Banking is to be No.1 in each of our markets measured by profitability and customer and employee satisfaction. We build our new strategy on an already strong platform; a universal relationship banking model with a

scalable pan-Nordic platform. We possess the largest Nordic footprint and customer base as well as a proven track record of delivering strong results with low volatility.

Value will be captured by addressing three key strategic focus areas:

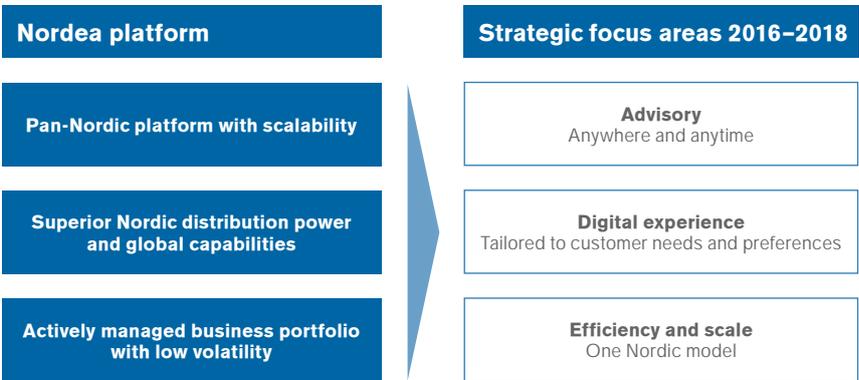
1. **Advisory** – Anywhere and anytime
2. **Digital experience** – Tailored to customer needs and preferences
3. **Efficiency and scale** – One Nordic model.

Winning capabilities for the future

Strengthening our **advisory**, focusing on cross sales and increasing flexibility for our customers by expanding advisory, sales and service to digital channels.

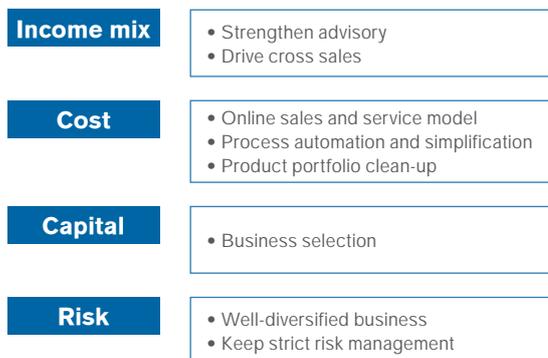
Enabling a best in class **digital experience** by building a common integrated digital platform and using analytics to increase relevance and tailor digital interactions to individual customer needs and preferences.

Delivering **efficiency and scale** by simplifying and digitalising products and processes across geographies, running capital efficiency initiatives and building the platforms of the future.

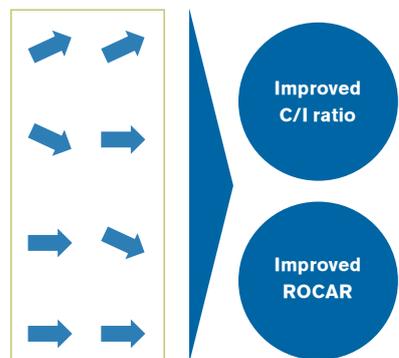


Capturing value in Retail Banking

All in all, making it possible to run the Retail Banking business more efficiently on both cost and capital, driving an improved C/I ratio and ROCAR while at the same time increasing customer relevance in all touchpoints.

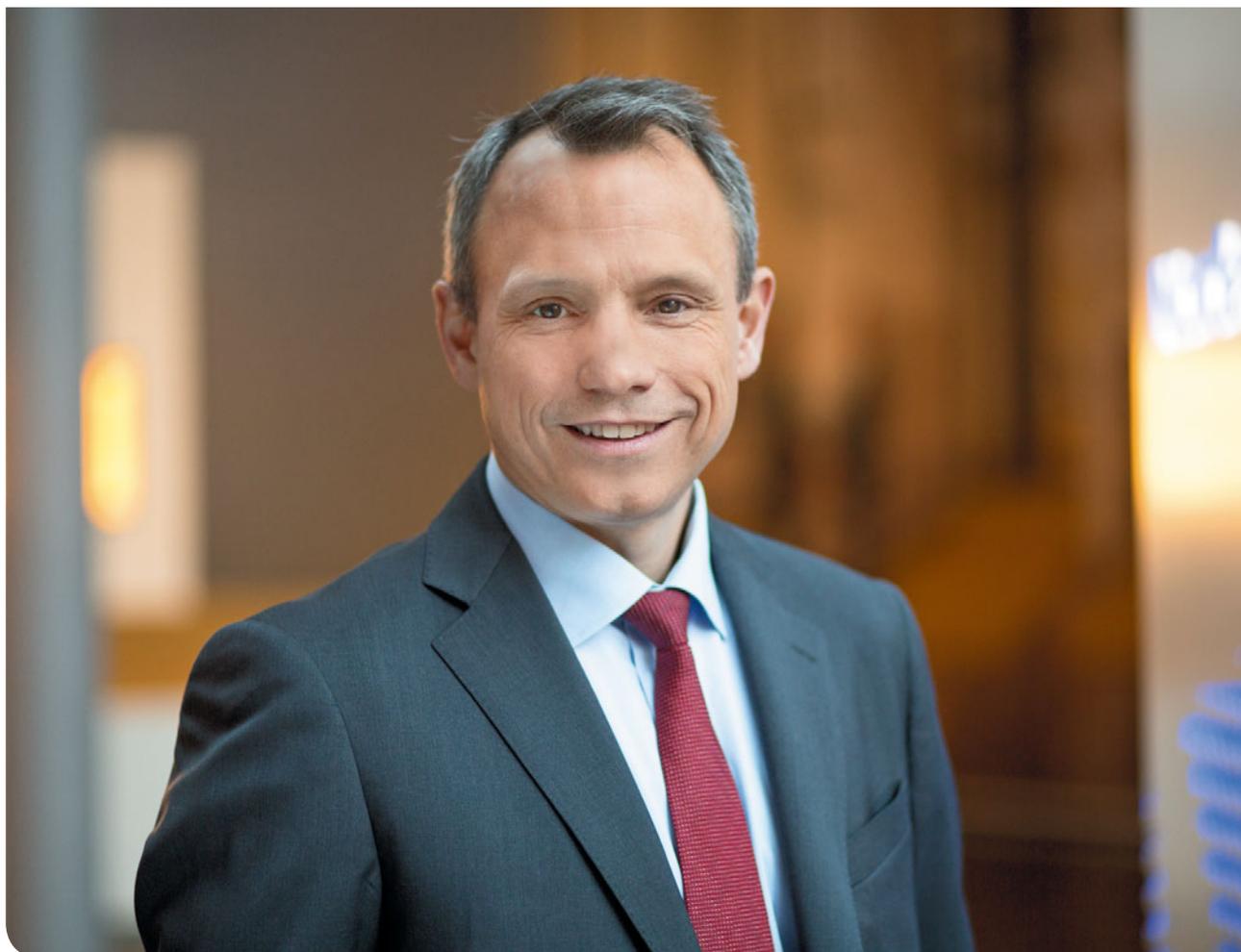


Outlook
HH Corp





Business Area
Wholesale Banking



Erik Ekman, Head of Wholesale Banking.

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, and supporting IT and infrastructure. This enables an integrated service offering, including solutions tailored to the needs of individual customers.

Wholesale Banking has a substantial lead-bank footprint in all Nordic markets, supported by a competitive product offering and a well-diversified business mix. As the leading wholesale banking provider in the Nordic region, Nordea has the strength to provide its customers with the best financial tools to optimise their business and manage their risks.

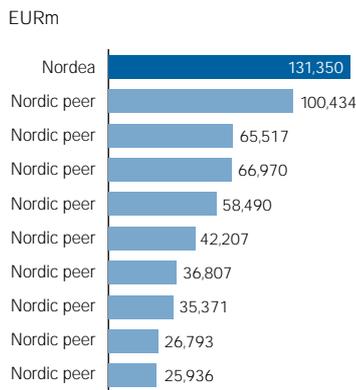
Business development

Wholesale Banking is the leading customer franchise in the Nordics, banking with 95% of all large corporates and institutions. Throughout 2015 the journey continued with leveraging the customer franchise and focusing on our leading market capabilities. The platform proved well positioned to service customers and to capture potential.

In 2015 financial markets featured large spikes in volatility, changing market microstructures, less available risk capacity and major macro events. Market liquidity dropped at times even in markets with traditionally high liquidity, resulting in spreads widening and erratic conditions. These market characteristics resulted in increased hedging activity relative to 2014. The first half of the year was particularly good largely driven by major market events.

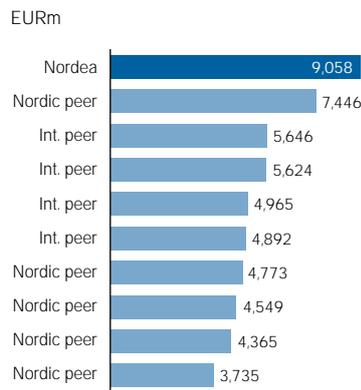
A strong customer franchise in Wholesale Banking

Nordic Equity trading¹, 2015



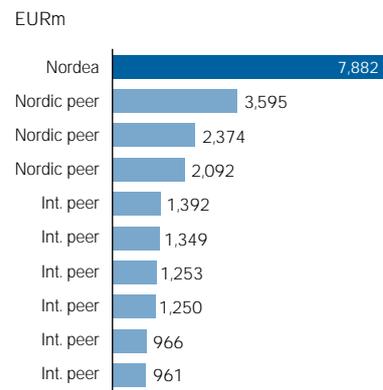
1) Only Nordic peers included.
SOURCE: NASDAQ OMX

All Nordic Corporate and Financial bonds², Bookrunner 2015



2) Investment Grade only.
SOURCE: DEALOGIC NORDIC FIXED INCOME REVIEW 2015

Nordic Syndicated loans, Bookrunner 2015



SOURCE: DEALOGIC

FICC continues to digitalise offerings to ensure efficient pricing and good online workflows for the benefit of existing and new customers in the Nordics and internationally. The new e-Markets Nexus platform offers customer workflow-based navigation of the financial markets, self-service pre- and post-trade functionality as well as flexibility of mobile offerings. Through a maintained focus on latency and state-of-the-art price production, FICC ensures continued sharp pricing.

ECM activity in the Nordic region remained high. Total transaction value was slightly higher than in 2014 and the Nordic IPO volume surpassed the previous record level of 2014. Nordea acted as lead advisor in a number of transactions, consolidating our position as a leading Nordic ECM franchise. M&A transaction value in the Nordic region also increased compared to 2014, although driven by a small number of large transactions.

Nordea continued to perform strongly as a leading Nordic arranger of loans and bonds. Overall, Nordic corporate funding activities in the bond markets were stable compared to 2014. Nordic corporates were significantly more active in the international EUR market, while issuance in local currencies was down. Nordic syndicated corporate loan activity was down in 2015 compared to a strong 2014. As IPOs have been the preferred exit route for Private Equity-owned companies, activity in the Nordic Leveraged Finance market was also somewhat subdued.

Equity markets were volatile most of the year with total volumes up compared to 2014. Equities improved

in all product areas following the previous year's significant growth.

Wholesale Banking was externally recognised for its leading markets capabilities. Global Finance named Nordea Best Investment Bank and Best Debt Bank in the Nordic region. The strong equity performance was also recognised, with e.g. Greenwich ranking Nordea No. 1 Small- & Mid Cap Nordic Equity Research.

Result

Total income was unchanged from previous year at EUR 2,431m (a 2% increase in local currencies), mainly due to an improvement in net items at fair value. Total expenses increased by 1% from last year (4% in local currencies). Continued strict resource management resulted in lower REA and a continued competitive cost-to-income ratio of 36%.

Operating profit was EUR 1,400m and the business area ROCAR amounted to 13%.

Corporate & Institutional Banking

Total income decreased from the previous year to EUR 1,420m. Net interest income decreased 11% following pressure on deposit income as a result of negative interest rates. Lending margins remained stable in spite of the intense competition in the market. This was due to increased focus and strict business selection. Net fee and commissions income decreased 11% from 2014 due to a low number of large deals and low LBO activity across the Nordics. However, IPO activity was stronger than in 2014, especially during the second half of

2015. High volatility in capital markets increased customer activity and demand for hedging products, especially during the first half of 2015. As a result, income from items at fair value increased 16% from 2014.

Institutional customer business continued to grow in 2015 with income markedly up compared to last year. Increased activity was driven by large transactions with selected international institutions.

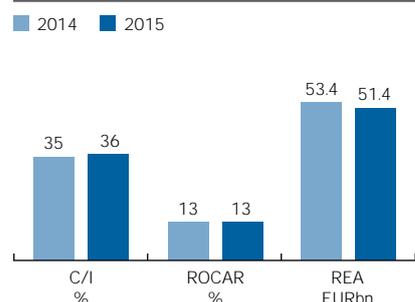
Shipping, Offshore & Oil Services

Total income was EUR 401m in 2015, up 9% from 2014. The increase in income was mainly due to higher lending volumes driven by a strengthening of the USD. Lending margins and commission income were relatively stable compared to last year while total costs were reduced by 6%.

Banking Russia

Total income was EUR 247m in 2015, a 10% decrease from 2014. Total expenses were EUR 74m, down 21% since last year due to efficiencies and improvements.

Key figures



Due to a challenging geopolitical environment the strategy for the Russian operations was sharpened with focus on the largest Russian corporates and Nordic international companies. New mortgage lending was stopped and operations were streamlined accordingly. In addition, a more selective approach for all new businesses was applied. This led to a decrease in the loan portfolio in 2015.

Wholesale Banking other

Wholesale Banking other total income increased from the previous year. Wholesale Banking other is the residual result not allocated to cus-

tomers units. This includes the unallocated income from Capital Markets, and International Divisions. It also includes the additional liquidity premium for the funding cost of long-term lending and deposits in Wholesale Banking.

Strategic focus areas and value drivers

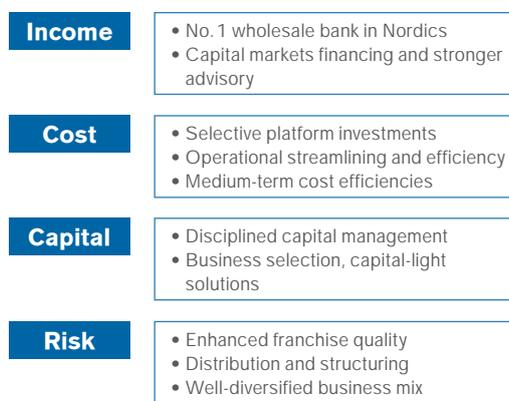
The Wholesale Banking journey continues. Development of the organisation has been sequentially centred on putting the organisation in place, while transforming the business

model and culture. The vision is to further cement a position as the leading wholesale bank in the Nordics, with global relevance and multi-local presence. Wholesale Banking targets a size large enough to be relevant in terms of competence and quality, and close enough to meet customers where they are in order to establish strong and meaningful relationships. The essence of the strategy is to develop long-term relationships and provide constant value add for customers in supporting their business.

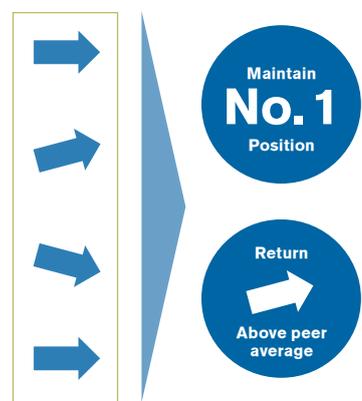
Managing for returns

Wholesale Banking is about managing for returns and building on the Nordic No. 1 position with customers. Potential levers to improve return and outperform peers are continuously explored. Emphasis is on capital to support a sound return performance.

Wholesale Banking has a strong track record utilising costs to derive value in relation to continuously securing a strong platform. This translates into efficiencies in line with the simplification initiative, but in the short term, strengthening the platform will be prioritised.



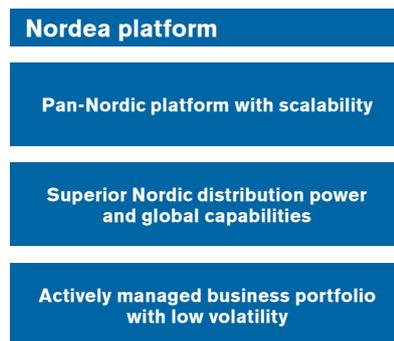
Outlook



Building on our No. 1 position

Wholesale Banking emphasises execution, continued improvements and closeness to its customers. Strategic focus is on increasing relevance to customers by closing strategic gaps and strengthening capabilities.

With the size and complexity of the Wholesale Banking business, it is culture, capabilities and talent that hold it all together. Combined, they ensure traction, agility and high ambitions. These levers are built on our people and will ensure that Wholesale Banking retains its No. 1 position in the Nordics.





Business Area
Wealth Management



Gunn Wærsted, Head of Wealth Management until 1 February 2016 and Snorre Storset, Deputy Head of Wealth Management and Head of Wealth Management from 1 February 2016.

Wealth Management provides high quality investment, savings and risk management solutions to high net worth individuals and institutional investors.

The area consists of:

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 discretionary mandates for institutional clients.

Life & Pensions – serving customers with a full range of pension, endowment and risk products.

Wealth Management is the largest Nordic private bank, life & pensions provider and asset manager. Wealth Management has approximately 3,600 employees, of whom approximately 500 are employed outside the Nordic region, primarily in Europe.

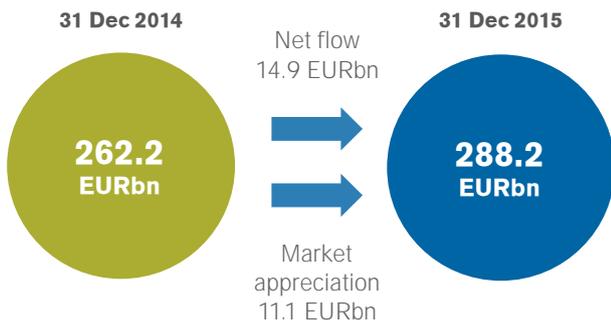
Business development

Financial markets featured sustained low interest rates and high volatility in 2015. Volatility was caused by uncertainties regarding several macro-economic factors including the FED policy, the Greek crisis and the economic slowdown in China. Despite this, Wealth Management steadily attracted net new assets as the offerings proved sturdy in the prevailing economic climate.

Nordea's Assets under Management (AuM) increased to EUR 288.2bn, up EUR 26.0bn or 10% from 2014. The increase in AuM was due to net flow of EUR 14.9bn and market appreciation of EUR 11.1bn. All businesses contributed positively to the net flow.

The interest of Private Banking customers in discretionary investment management solutions continued to increase in 2015. It is difficult to achieve a satisfactory investment

Volume growth supported by strong net flow



Awards

- Best Private Bank in the Nordics**
The Banker
- Best ESG Investment process in Europe**
Capital Finance International
- Best fixed income manager in Denmark**
Morningstar
- Best Life Company in Finland**
World Finance
- Best Life Company in Norway**
World Finance

return without taking too much risk in the prevailing low interest rate environment. Thus, discretionary management solutions allow customers to benefit from Nordea’s investment process in which risk levels are closely managed to match possible returns with client expectations and risk profiles.

Asset Management maintains its strong momentum in sales and revenues in all customer segments. In the current market environment, customers look for stable returns at a low risk. As an example, the Nordea Stable Return Fund had one of the highest net inflows in Europe in 2015.

Life & Pensions’ gross written premiums continued to exceed the record levels of 2014. The strong momentum was driven by sales through the Nordea Bank channels. The combined share of market return products (MRP) and risk products accounted for 89% of total gross written premiums, leading to an increasingly capital-efficient AuM composition. MRP share of AuM increased to 58%, up from 52% in 2014.

In 2015, Wealth Management was recognised for its sustained efforts to create great customer experiences and superior solutions. As an example, Nordea Private Banking was awarded “Best Private Bank in the Nordics” by The Banker. Furthermore, Asset Management and Life & Pensions were awarded for their offerings throughout 2015.

Result

Total income was EUR 1,929m in 2015, up 14% from last year, up 15% in local currencies. The increase in income is highly attributable to a considerable increase in income in the Asset Management business.

The cost increase has been limited to 2% from last year as a consequence of successful cost management. Due to increased income and a limited increase in costs, operating profit was EUR 1,127m, up 25% from 2014. Continued focus on capital efficiency has resulted in a ROCAR of 37%, an improvement of 5%-points compared to 2014.

Private Banking

Total income was EUR 569m in 2015, a 5% increase compared to 2014, and the strongest year yet for the Private Banking business. The increased income level was supported by higher recurring income from increased AuM in investment funds and life products. Reduced deposit margins impacted the income growth negatively, while the underlying business growth was highly satisfactory. Net flow totalled EUR 4.6bn, corresponding to 5% of AuM. The number of customers increased 4%. Combined with a continuous strict cost focus and simplification initiatives, the operating profit was EUR 219m, up 15% from 2014.

Asset Management

Total income was EUR 767m in 2015, a 28% increase compared to 2014. The increased income level was lifted by increasing AuM, which was supported by both strong net flows and

market appreciation. Through 2015, AuM has increased 9%. Compared to 2014, total expenses are up 6%. The cost-to-income ratio has improved by 6%-points to an impressive 31%. Operating profit was EUR 530m, up 42% from 2014.

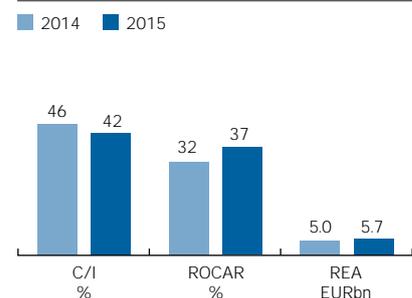
Life & Pensions

Total income was EUR 593m in 2015, a 7% increase compared to 2014. Total expenses were EUR 197m, down 3% from 2014 due to strict cost focus and efficiency improvements. The C/I ratio has improved by 4%-points to an impressive 33%. Operating profit was EUR 396m, up 13% from 2014. Continued focus on capital efficiency has resulted in a return on equity of 19% in 2015, an improvement of 2%-points compared to 2014.

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.

Key figures



Strategic focus areas and value drivers

It is our vision to become the leading Wealth Manager in each Nordic market, with global reach and global capabilities.

Our strategy is to form strong client relationships, based on superior quality of advice and solutions, delivered efficiently through an integrated value chain. Consequently, our focus is on the way we form and develop client relationships, strengthen our advice

and solutions, and take advantage of digitalisation and operational streamlining to become increasingly efficient.

Wealth Management prioritises strategic investments in:

- Establishing leading digital offerings to enhance value propositions and improve advisor efficiency, including improved digital touchpoints
- New product offerings to meet client demand in the low yield

environment. Product capabilities include factor investing, leveraging our strong multi-asset investment process and alternative investments

- Establishing the leading retirement offering, targeting a large, growing and underserved segment, by establishing new advisory capabilities and product capabilities.

Fine-tuning the setup

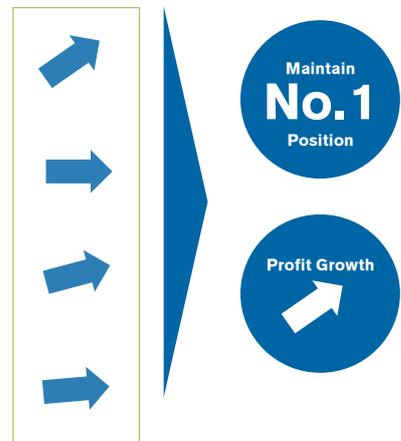
Wealth Management constantly capitalises on and magnifies scale advantages to deliver high quality solutions.

Due to scale, relatively low investments in product and advisory capabilities can yield high returns, keeping offerings highly competitive.

Digitalisation enables even further leverage of the operations, both on efficiency and on value add to customers.

Income	<ul style="list-style-type: none"> • No. 1 Wealth Manager in the Nordics • Well positioned to capitalise on trends • Track record of Nordic and international growth
Margins	<ul style="list-style-type: none"> • Focusing on higher margin business • Leveraging advisory and solutions capabilities
Cost	<ul style="list-style-type: none"> • Scalable, cost-efficient platforms • Operational streamlining and efficiency • Further investments in platforms
Capital	<ul style="list-style-type: none"> • Life & Pensions successfully transformed to market return company • Solvency II transition without equity capital injection

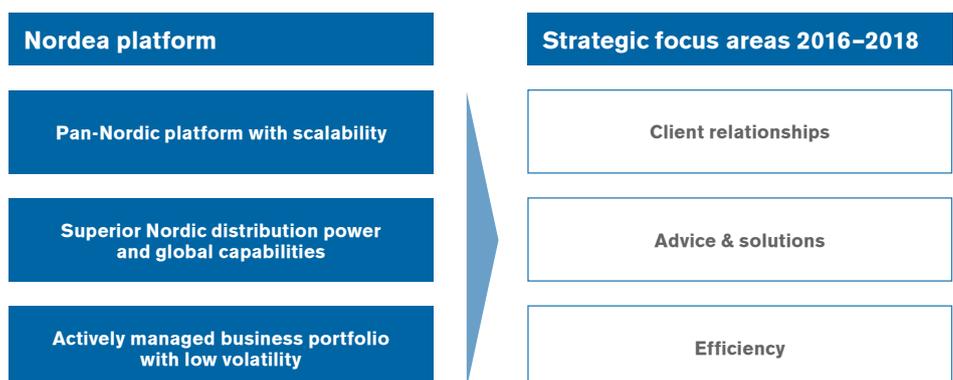
Outlook



Well-positioned to capitalise on trends

In the coming years, our business will be affected by several external factors. Developments in demographics, regulation, macroeconomics, globalisation and digitalisation will open opportunities for those who manage to adapt to these changes.

Through our current platform, being the largest in the Nordics, and our strategic focus areas, we are well-positioned to capitalise on trends.



The Nordea share and ratings

Nordea's return on equity (ROE) target is to be above the Nordic peer average*.

Nordea's market capitalisation at the end of 2015 was EUR 41.3bn (EUR 38.9bn the year before). Ranked by market capitalisation, Nordea was the third 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 (in EUR) and Copenhagen (in DKK) stock exchanges.

Share price performance

In 2015 the Nordea share price appreciated 3% on the Nasdaq Stockholm exchange from SEK 90.90 to SEK 93.30. The daily closing prices listed for the Nordea share in 2015 ranged between SEK 87.00 and SEK 115.40. In 2015, the Nasdaq OMXS30 index depreciated by 1% and the STOXX Europe 600 Banks index depreciated by 3%. Since 6 March 2000, the date of the merger between Merita-Nordbanken and Unidanmark, the Nordea share has appreciated 166%, clearly outperforming the STOXX Europe 600 Banks index (-46%) and the Nasdaq OMXS30 index (-6%).

* Weighted to reflect Nordea's Nordic geographic mix

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 2015

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2015 was 8% (9% in 2014). Nordea ranked number seven among the European peer group banks in terms of TSR in 2015 (number ten in 2014, nine in 2013, 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 3%.

Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2015, with an average daily trading volume of approx. EUR 170m, corresponding to approx. 16 million shares. Turnover on all stock exchanges combined totalled EUR 43bn in 2015, corresponding to 4.0 billion shares.

A large part of the total trading takes place on other exchanges than Nasdaq. 28% of the total volume traded in Nordea shares takes place

over other exchanges such as BATS Chi-X Europe, Turquoise and Aquis. Out of the total number of Nordea shares traded in 2015 on Nasdaq, approx. 81% were SEK-denominated, 11% EUR-denominated and 8% 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 2015. 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 management buffer of 50–150 basis points above the regulatory CET 1 capital ratio requirement.

Nordea share performance compared to European banks, 2000–2015



Turnover of the Nordea share in stock exchanges, 2000–2015¹



¹) Nasdaq exchanges from 2000 and other exchanges from 2010.

Proposed dividend and dividend policy

The Board of Directors proposes a dividend of EUR 0.64 per share for 2015. The total dividend payment for 2015 would then be EUR 2,584m. The dividend yield calculated on the share price at 30 December 2015 is 6.3%.

The Board of Directors has also decided on a new dividend policy: Nordea strives to maintain a strong capital position in line with Nordea’s capital policy. The ambition is to achieve a yearly increase in the dividend per share.

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.

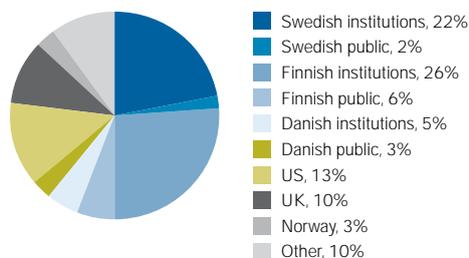
Shareholders

With approx. 453,000 registered shareholders at the end of 2015, Nordea has one of the largest shareholder bases of all Nordic companies.

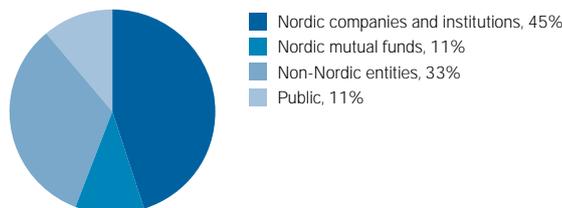
The number of shareholders in Sweden is approx. 104,000, in Finland approx. 202,000 and in Denmark approx. 148,000 – largely unchanged numbers from last year.

The largest shareholder category is Finnish institutions (including Sampo plc), with a 26% holding of Nordea shares at year-end. Swedish institutional shareholders held 22% while non-Nordic shareholders held 33% of the capital at the end of 2015. The largest individual shareholder is Sampo plc with a holding of 21.3%.

Shareholder structure, 31 Dec 2015



Type of shareholders, 31 Dec 2015



Largest registered¹⁾ shareholders in Nordea, 31 Dec 2015

Shareholder	No of shares, million	Holdings, %
Sampo plc	860.4	21.3
Nordea-fonden	158.2	3.9
Swedbank Robur Funds	99.4	2.5
Alecta	83.4	2.1
Norwegian Petroleum Fund	72.9	1.8
AMF Insurance & Funds	71.1	1.8
SHB Funds	37.7	0.9
SEB Funds	35.8	0.9
Didner & Gerge Funds	35.4	0.9
Nordea Funds	35.0	0.9
Henderson Funds	33.3	0.8
Fourth Swedish National Pension Fund	32.3	0.8
First Swedish National Pension Fund	30.9	0.8
Varma Mutual Pension Insurance	29.0	0.7
Vanguard Funds	28.7	0.7
AFA Insurance	28.5	0.7
Third Swedish National Pension Fund	27.1	0.7
SPP Funds	24.4	0.6
Skandia Life Insurance	23.2	0.6
Abu Dhabi Investment Authority	22.2	0.5
Total, 20 largest shareholders	1,768.9	43.8

SOURCE: EUROCLEAR SWEDEN, MODULAR FINANCE AND VP ONLINE

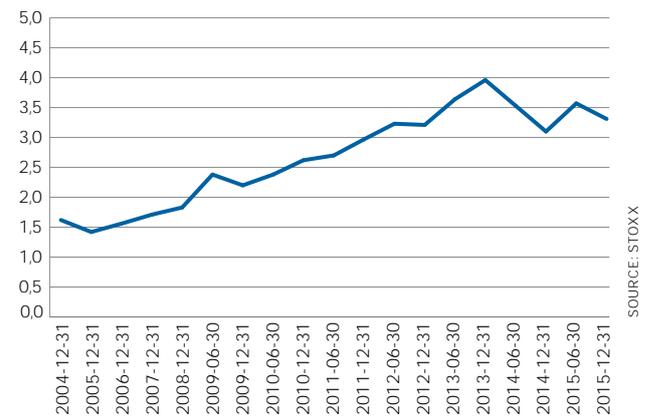
1) Excluding nominee accounts.

Nordea share, monthly turnover on different stock exchanges 2015, %

Month	Nasdaq OMX	BATS Chi-X	Turquoise	Other ¹
January	75	20	5	1
February	71	20	7	2
March	74	20	6	1
April	71	21	7	1
May	67	23	8	1
June	72	18	8	1
July	70	21	8	2
August	72	20	7	2
September	70	21	7	1
October	68	22	9	1
November	66	22	10	1
December	65	24	11	1

1) Aquis, Burgundy, Equiduct.

Nordea weighting in the STOXX Europe 600 Banks index, %



SOURCE: FIDESSA

SOURCE: STOXX

Distribution of shares, 31 Dec 2015

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	336,441	75	103,526,440	3
1,001–10,000	109,561	24	269,356,183	7
10,001–100,000	6,371	1	159,423,339	4
100,001–1,000,000	805	0	260,482,880	6
1,000,001–	279	0	3,245,484,183	80
Total	453,457		4,038,273,025	

Share data 5 years

	2015	2014	2013	2012	2011
Share price (SEK)	93.30	90.90	86.65	62.10	53.25
High/Low (SEK)	115.40 / 87.00	100.00 / 84.25	86.65 / 62.10	66.90 / 51.55	79.60 / 48.30
Market capitalisation (EUR)	41.3bn	38.9bn	39.7bn	29.3bn	24.2bn
Dividend (EUR)	0.64 ²	0.62	0.43	0.34	0.26
Dividend yield ³ (%)	6.3	5.4	4.2	3.8	3.8
TSR (%)	8.2	9.2	44.6	21.0	-24.4
STOXX Europe 600 Banks index (%)	-3.3	-2.8	19.0	23.1	-34.0
P/E (actual)	11.2	11.7	12.7	9.3	9.7
Price-to-book	1.32	1.31	1.35	1.03	0.92
Equity per share (EUR)	7.69	7.40	7.27	6.96	6.47
Earnings per share ⁴ (EUR)	0.91	0.83	0.77	0.78	0.65
Outstanding shares¹	4,038,273,025	4,034,032,732	4,031,635,539	4,029,683,426	4,029,023,222

1) Excluding shares held for the Long Term Incentive Programmes (Total number of shares including these is 4,049,951,919).

2) Proposed dividend.

3) Dividend yield for 2011 to 2014 calculated at starting price on payment day and for 2015 calculated at price per 30 December 2015.

4) Diluted earnings per share, total operations.

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	A-1+	AA- ²	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Danmark A/S	P-1	Aa3	A-1+	AA- ²	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Finland Plc	P-1	Aa3	A-1+	AA- ²	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Finland Plc, covered bonds		Aaa ¹						
Nordea Bank Norge ASA	P-1	Aa3	A-1+	AA- ²	F1+	AA-	R-1 (mid)	AA (low)
Nordea Hypotek AB (publ)		Aaa ¹		AAA ¹				
Nordea Kredit Realkreditatieselskab		Aaa ¹		AAA ¹				
Nordea Eiendomskredit AS		Aaa ¹						

1) Covered bond rating.

2) Negative outlook.

Our people form the future

Creating opportunities for our employees to flourish, and attracting talented individuals, are part of being a responsible employer. We fully support realising the potential of our people and enabling them to enjoy a fulfilling career with Nordea, as well as helping them to adjust and continue to thrive during times of change.

Our people are key to our ability to run our business well and accomplish our aims, both for the company and for society. Creating opportunities is about making sure that we employ the right people, with the right blend of skills and competences, and that we develop our people in the right way, in order to achieve our goals.

Leadership is vital

Good leadership is a key driver of strong performance, and is particularly crucial in times of uncertainty and change. This makes developing and training our leaders and potential leaders a high priority, as well as equipping them to develop their own employees and helping them to reach their potential.

A key 2015 initiative has been about how we measure and incentivise our leaders. We have adjusted our incentives to put more emphasis on good leadership skills, in particular by supplementing functional targets (what is achieved) with targets that focus on how they are achieved. These include how a leader translates strategy into actions, as well as putting the right team in place, and motivating the team to achieve its goals. There is also a focus on leaders' personal development – how they live the Nordea values and develop their own competences.

In 2015, we are delighted that our employees' satisfaction with their immediate managers improved again by one point to 81, increasing the gap to the industry average to 9 points.

Engaging with staff

For several years we have conducted an annual employee satisfaction (ESI) survey to encourage our employees to tell us how they feel about working at Nordea. In 2015 over 29,000 employees gave us their feedback – a participation rate of 94% – and the results were encouraging.

Overall, we are delighted that Satisfaction & Motivation among Nordea employees has increased by one index point compared to 2014 and is now two points above the Nordic financial labour market. In addition, commitment has increased by one index point and now exceeds the external benchmark of the Nordic financial labour market by seven index points.

We want to do even better, and to do so we need each and every employee to take personal responsibility for improving our company. Our focus for 2016 is to do this by encouraging managers and teams to engage in dialogue, challenge existing processes and embrace the transformation of the sector.

Promoting equal opportunities

It is crucial for Nordea that we offer equal opportunities to all current and potential employees both in the hiring process and when it comes to career advancement. This is part of what it means to act responsibly, but it also makes sense for us as a business. The more diverse we are, and the more closely we mirror the societies we are part of, the greater our insight into our customers' circumstances and the better we can understand and serve their needs.

More information is available in our Sustainability Report 2015 about how we at Nordea view leadership, how we create opportunities and support our staff during times of change as well as how we work to improve the gender balance.

Number of employees, by area or function

Full-time equivalents (FTEs)	2015	2014
Retail Banking	18,187	18,149
Banking Denmark	3,061	3,254
Banking Finland	3,642	3,707
Banking Norway	1,267	1,338
Banking Sweden	3,021	3,041
Banking Baltic countries	782	730
Retail Banking other	6,413	6,079
Wholesale Banking	3,899	4,523
Corporate & Institutional Banking	588	819
Shipping, Offshore & Oil Services	79	80
Banking Russia	846	1,348
Capital Markets Products	2,049	2,003
Wholesale Banking other	337	274
Wealth Management	3,652	3,476
Nordic Private Banking	954	919
International Private Banking & Funds	415	385
Asset Management	496	517
Life & Pensions	1,094	1,078
Savings	378	327
Wealth Management other	316	250
Group Corporate Centre	2,560	2,321
Group Risk Management	482	468
Other Group Functions	1,048	460
Nordea Group	29,826	29,397

Employee satisfaction survey results

ESI, index	2015	2014	2013
Satisfaction and motivation	72	71	72
Development	74	73	73
Considered a good workplace	74	75	77
Proud to tell others where I work	77	77	79
Recommend others to start working at Nordea	72	71	74

Sustainability

Thinking broader, looking further

The world faces an increasingly volatile and uncertain future such as the pace of technological development, climate change, resource depletion and an ageing population. Considering how these 'megatrends' affect our business, we decided to raise the bar on our sustainability ambition. We want to do more than act responsibly and make incremental improvements in reducing our footprint – we want to help solve societal challenges in areas where we possess the relevant skills and expertise.

Making sustainable economic progress

The key contribution we can make is to enable businesses to prosper and help individuals enjoy a good quality of life. We help businesses manage risks and harness opportunities for growth by lending to them and providing advice on how they can invest the proceeds of their commercial successes.

Our work with individuals and families focuses on helping them grow their savings and investments. Whether it is for a family holiday or a bigger home, we offer competitive lending and other services that help our customers turn their dreams into reality.

Building skills in personal finances

Ensuring people can benefit from economic opportunities and be productive and responsible members of society is another area where we can play a role. For a number of years we have had programmes and partnerships in place throughout the Nordic countries to equip young people with financial knowledge and skills.

Advancing diversity

As these young people start banking they will increasingly do so online and via their mobile devices. These technological changes require us to attract a skilled and diverse workforce and invest in their development if we are to continue to deliver great customer experiences.

We are committed to tackling gender equality at Nordea. More than

70% of final-three shortlists for management positions now include at least one woman. We will not give up until we reach our target of 100% but we do recognise that this is a complex area in which we are tackling cultural norms. To address this we have, for example, established a training programme to make managers aware of the 'unconscious bias' in their decisions.

A stronger focus on compliance

In addition, in 2015 we increased our focus on compliance at Nordea, and decided to create a compliance framework and culture across Nordea that will, over time, live up to best-in-class standards. Consequently, we significantly accelerated activities aimed at strengthening the general compliance framework at Nordea. These initiatives target both strengthening first-line regulatory implementation capability, and strengthening the Group Compliance organisation to ensure the second-line role is carried out in accordance with regulatory and internal requirements. In addition to specifically addressing the deficiencies in this area, we established a Financial Crime Change Programme, which is a holistic approach to developing a group-wide and sustainable standard for the prevention of financial crime.

Protecting the environment

As a responsible lender and investor, we raise concerns about our clients' impacts on society with them, preferring a policy of engagement to exclusion.

Banks have an important role to play as enablers of economic success in society and we have identified three key focus areas for our new sustainability ambition: promoting sustainable economic progress, building skills in personal finances and ensuring a diverse workforce.

However, the risks of climate change are so significant – as recognised in the historic commitments made in Paris – that in 2015 we agreed on a position that underpins our approach to climate change across our whole company. This includes, for example, making public our policy of not starting new relationships with companies that primarily depend on coal. We continue to do business with existing customers and, when possible, we favour investments that improve energy efficiency and conversion to low-emission energy sources.

We also took the decision to become a carbon-neutral business, which we achieved in 2015 by reducing our carbon emissions, and offsetting the remainder by purchasing renewable energy and financing carbon reduction projects. Furthermore, we are committed to revisiting our EcoFootprint targets in 2016 to continue to minimise the environmental impact of our operations.

We have raised the bar in 2015 in response to the changes we see around us. With continued diligence we are confident this higher ambition for sustainability will contribute to our business goal to be the number one financial services provider in all our key markets.



For more information, visit the Sustainability pages on nordea.com.

Financial Review 2015

- Operating profit +7%¹, in local currencies +9%¹
- Total operating income +1%¹, in local curr. +3%¹
- Total operating expenses –4%¹, in local currencies –1%¹
- Loan loss ratio 14 basis points (15 basis points last year)
- Return on equity (ROE) 12.3%¹ (last year 11.5%)
- Common equity tier 1 (CET1) capital ratio 16.5% (last year 15.7%)
- Overall credit quality remained solid
- Assets under Management up 10% to EUR 288bn
- Proposed dividend EUR 0.64 per share (actual dividend last year EUR 0.62 per share)

¹) Compared with 2014 for continuing operations excluding non-recurring items (Q2 2014: restructuring charge EUR 190m, Q3 2014: gain from the divestment of Nets EUR 378m and impairment of intangible assets EUR 344m, Q4 2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m before tax and restructuring charge of EUR 263m)

Legal structure

The board of directors of each of Nordea Bank AB (publ), Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA have signed merger plans with the purpose to change the Norwegian, Danish and Finnish subsidiary banks to branches of the Swedish parent company by means of cross-border mergers. By simplifying and changing into a branch structure Nordea will strengthen its governance, decrease the administrative complexity and make it possible to operate as One Bank.

The proposed changes to the legal structure depend on approval by the Nordea Bank AB (publ) shareholders at the Annual General Meeting, approvals and a satisfactory outcome of the discussions with regulators and authorities in each country and that the mergers are not impeded, wholly or in part, by applicable laws or any other reason deemed significant by the Board of Directors of Nordea Bank AB (publ). The mergers are planned to be executed by early 2017.

Macroeconomic development

2015 was a year shaped by continued gradual global growth, low inflation and volatile financial and commodities markets. The dramatic fall in oil prices in particular characterised the second half of the year. The US and UK economies extended the more robust development with falling unemployment and positive GDP growth. While still at a slower pace, the European economy showed positive signs with improving growth and falling unemployment. Towards the second half of 2015, concerns over emerging market growth rose driven in part by

the significant fall in commodity prices and the outlook of interest rate policy normalisation in the US.

The Nordic economies were characterised by divergence. In Sweden the economic picture was strong with growth above 3%. In Denmark, the economy initially grew firmly, but then slowed somewhat in the second half of 2015. Still, the full-year picture remained robust, continuing the gradual improving trend. In Norway growth also initially held up, but as the deterioration in oil prices accelerated the economy was gradually impacted, weighing also on forward looking expectations. In Finland, the economic picture remained more muted, with growth swaying between positive and negative territory over the quarters.

Result summary 2015

Total income increased in 2015 by 3% in local currencies (+1% in EUR) compared to 2014, excluding non-recurring items. Total expenses decreased 1% in local currencies (–4% in EUR) excluding non-recurring items, in line with the cost target communicated in connection with the 2015 plan. Net loan losses decreased from last year to a level of 14 basis points of loans. Operating profit was up 9% in local currencies excluding non-recurring items (+7% in EUR). The result comments relate to the continuing operations, following the divestment of the Polish banking, financing and life insurance operations.

Income

Net interest income decreased 4% in local currencies compared to 2014 (–7% in EUR). Lending volumes increased 2% in local currencies excluding reverse repurchase agreements. Corporate and household lending margins were largely unchanged. Deposit margins overall were down from one year ago with a negative effect on net interest income of EUR 382m. Net interest margin, the average net interest income on lending and deposits, was 0.97%, down from last year (1.08%).

Net fee and commission income increased 8% in local currencies (+6% in EUR), mainly due to strong commission income from savings and investments.

Net result from items at fair value increased 19% in local currencies (+20% in EUR) compared to last year, following a strong first quarter.

Income under equity method was EUR 39m (EUR 18m). Other income was EUR 263m (EUR 474m) including non-recurring items.

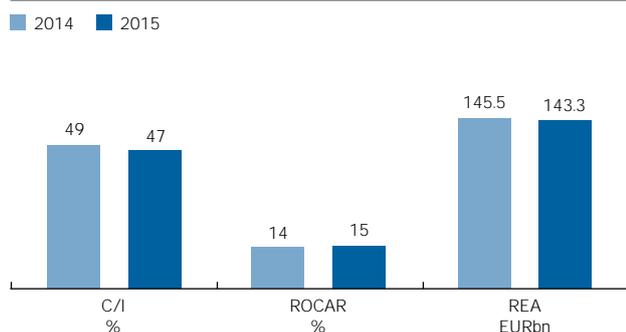
Expenses

Total expenses were down 1% in local currencies (–4% in EUR) compared to 2014 excluding non-recurring items. Staff costs were up 4% in local currencies excluding non-recurring items (up 2% in EUR). Other expenses were down 10% in local currencies excluding non-recurring items (–12% in EUR). Restructuring charge in 2015 amounted to EUR 263m (see also Note G7). Depreciations were down 12% in local currencies excluding non-recurring items (–16%).

Net loan losses

Net loan loss provisions decreased 8% in local currencies to EUR 479m (–10% in EUR), corresponding to a loan loss ratio of 14 basis points (15 basis points last year). The loan loss ratio was somewhat below the ten-year average loan loss ratio.

Nordea Group, key figures¹



¹) Excluding non-recurring items.

Taxes

The effective tax rate in 2015 was 22.2% compared to 22.1% last year.

Net profit and Return on equity (ROE)

Net profit from continuing operations increased 11% in local currencies (+9% in EUR) to EUR 3,662m.

Return on equity (ROE) was 12.3% excluding non-recurring items and 12.2% including these (last year 11.5% excluding non-recurring items and 11.4% including these).

Market Consistent Embedded Value (MCEV)

The MCEV was unchanged a EUR 4,758m due to offsetting underlying movements. The value of new business was EUR 270m.

Financial structure

Total assets decreased by 3% or EUR 22bn to EUR 647bn in 2015. Total liabilities decreased by 4% or EUR 24bn to EUR 616bn. 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 2015. 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 11bn. Liabilities decreased by EUR 3bn.

Loans

Total lending decreased EUR 7bn or 2% compared with the previous year.

Securities

Investments in interest-bearing securities and shares increased by EUR 2bn or 2% compared with the previous year.

Deposits

Deposits and borrowings decreased by EUR 16bn or 6% to EUR 238bn, while debt securities in issue increased by EUR 8bn or 4%. Total debt securities in issue as per the end of 2015 amounted to EUR 202bn.

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 4bn or 7%.

Derivatives

The balance sheet items "Derivatives" reflect the net present value of derivative contracts split on positive and negative fair values. Positive market value of derivatives decreased from EUR 105bn to EUR 81bn and negative markets values decreased from EUR 97bn to EUR 80bn. The reason for this was the increase in long-term interest rates and an additional use of central counterparty clearing (CCP) increasing the impact from on-balance netting. For more information, see Notes G1 and G17.

Financial targets

Nordea's financial targets, based on currently known regulatory requirements, for the period 2016–2018 are to have a ROE above the Nordic peer average (weighted to reflect Nordea's geographical mix), a cost CAGR of below 1% excluding currency effects and performance related salaries, and to keep Risk Exposure Amount largely unchanged.

Capital position and capital policy

The Group's common equity tier 1 (CET1) capital ratio, excluding Basel I floor, increased to 16.5% at the end of 2015, a strengthening of 0.8%-points from 2014. The total capital ratio excluding Basel I floor increased to 21.6%. Improved capital ratios were achieved by strong profit generation and reduced risk exposure amounts (REA). In March 2015, Nordea issued a second CRDIV-compliant Additional Tier 1 instrument corresponding to approximately EUR 0.9bn. During 2015, Nordea also issued a Tier 2 instrument of EUR 1.3bn.

The current capital policy states that Nordea Group under normal business conditions should have minimum targets for common equity tier 1 (CET1) capital ratio, tier 1 ratio and total capital ratio that exceed the capital requirements received from the Swedish FSA. Nordea will maintain a management buffer of 50–150 bps above the regulatory CET1 requirement.

The Board of Directors has decided on a new dividend policy: "Nordea strives to maintain a strong capital position in line with Nordea's capital policy. The ambition is to achieve a yearly increase in the dividend per share."

A description of the Capital position is presented under Capital management on page 42 and in Note G37.

Credit portfolio

Loans to the public excluding reverse repurchase agreements increased by 2% in local currencies to EUR 309bn. The share of lending to corporate customers was 52%. Lending to shipping, offshore and oil services constituted 3.1% of the Group's total lending.

The overall credit quality remains solid with strongly rated customers. The total effect on credit risk exposure amount (REA) from migration was a marginal increase of approximately 0.4% during the full year 2015.

Impaired loans gross in the Group were down to EUR 5,960m at the end of the year compared to last year (EUR 6,425m). 62% of impaired loans gross are performing and 38% are non-performing.

Further information about the credit portfolio is presented under Risk management on page 34, in Note G46 and in the Capital and Risk Management Report 2015 published on the web pages.

2016–2018, a transition period towards delivering "One Nordea"

The coming three years will be a transition period in which we will execute on our transformational change agenda in order to generate a truly digital bank. This change agenda is driven by changed customer behaviour, a shift in technology and regulatory requirements.

Nordea will initiate certain key activities to manage the transition efficiently, which led to a restructuring charge of EUR 263m in the fourth quarter, related to staff, premises and some international units. A few examples of activities are the shift from physical to digital distribution and establishing

e-branches, a focusing of customer coverage across Europe to further leverage resources and competencies in the Nordics, (except for our cash equities, private banking and asset management franchise) and costs related to a shift of competencies to support the digital transformation and compliance.

The provision also covers the current activities to decrease the number of head office locations and to relocate to head office premises outside of the central business districts. These activities will be carried out during 2016–2017 and will start to deliver efficiencies already in late 2016, which will enable Nordea to continue to invest in competence, product offerings and IT. As substantial investments will be carried out in 2017–2018, net cost reductions will start materialising from 2019.

Nordea has divested its merchant acquiring business to Nets

The sale of Nordea's merchant acquiring business to Nets was completed on 10 December 2015. The capital gain after tax consists of approximately EUR 176m recognised under Other operating income and approximately EUR 3m accounted for under Income tax expense.

Visa Inc.'s proposed acquisition of Visa Europe Ltd.

Visa Inc. and Visa Europe Ltd. have announced an agreement for Visa Inc. to acquire Visa Europe. The consideration includes EUR 16.5bn, EUR 11.5bn in cash and EUR 5bn in preferred stock convertible into Visa Inc. class A common stock, and a possible additional earn-out of maximum EUR 4.7bn payable no earlier than on the fourth anniversary of the closing of the transaction. The transaction is subject to regulatory approvals and is expected to be closed in the second quarter 2016. Nordea is a shareholder and member in Visa Europe and expects to recognise a gain following the closing of the transaction. The pre-tax gain is expected to be within the range EUR 90m to EUR 130m in cash, with an additional possible gain on preferred stock amounting to around 25% of the cash portion. In addition Nordea will receive proceeds stemming from divested operations, in which Nordea has claims that are not yet possible to quantify.

Nordea's funding operations

Nordea issued approx. EUR 25bn of long-term debt during the year, excluding Danish covered bonds and subordinated debt.

Liquidity management is presented on page 41. A maturity analysis is presented in Note G44.

Market risk

A description of Market risk is presented on pages 38–39.

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 62. The voting rights are described on page 46. 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 take place only following consent by the Swedish Financial Supervisory Authority according to the Swedish Banking and Financing Business Act.

On 31 December 2015, Sampo plc was the largest individual shareholder with a holding of 21.3% and the only shareholder with a holding of more than 10%. A table showing the largest registered shareholders in Nordea at the end of 2015 is presented on page 22.

On 31 December 2015, 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 2015, Nordea held 18,572,585 shares (0.5% of total number of shares) in Nordea, a decrease of 4,436,873 shares compared to 31 December 2014. 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 0.64 per share (EUR 0.62) and further, that the record date for dividend should be 21 March 2016. Total proposed dividend amounts to EUR 2,584m.

The ex-dividend date for the Nordea share is 18 March 2016. The dividend payments are scheduled to be made on 30 March 2016.

Mandate to acquire and convey own shares

The AGM 2015 authorised the Board of Directors to decide on the 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, which is valid until the AGM 2016, 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 acquisition of companies and businesses.

The AGM 2015 further authorised the Board of Directors to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses. Conveyance may be made in another way than on a regulated market and with deviation from shareholders' pre-emptive rights.

The Board of directors has not proposed that the AGM 2016 should decide on corresponding authorisations to acquire and convey own shares.

Mandate to issue convertible instruments

The Board of Directors proposes that the AGM 2016 should authorise the Board of Directors to decide on issuing convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by a 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 carried out on market terms. 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 2015 decided on a corresponding authorisation to decide to issue convertible instruments.

Rating

Ratings of the Nordea Group are presented on page 23.

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 24.

Profit sharing and share-based incentive systems

For 2015, a total of approx. EUR 82m (including social charges) was expensed under Nordea's ordinary profit-sharing scheme for all employees and the Long-Term Incentive Programmes for managers and key employees (EUR 92m last year).

For 2015, each employee could receive a maximum of EUR 3,200 based on RAROCAR. The Profit Sharing scheme and the share-based incentive systems as well as other remuneration principles are presented in the chapter Remuneration on page 53–56 and in Note G7.

Pension liabilities

The total pension obligation in defined benefit plans has decreased from EUR 3,727m to EUR 3,271m in 2015. The decrease is mainly due to re-measurements from changes in financial assumptions, mainly following higher discount rates. Pensions paid have had a reducing effect offset by new pension rights earned and discounting effects. The fair value of plan assets is EUR 3,319m (EUR 3,229m). The return on plan assets has had an increasing effect, partly offset by pension payments. The net pension asset amounts to EUR 48m. See Note G31 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 G35.

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 Sustainability on page 25 and in Nordea's Sustainability Report available on the web pages.

Foreign branches

The parent company has foreign branches in Norway, Finland, Denmark, the Baltic countries, Poland, China, the United Kingdom and Germany.

Annual General Meeting

The AGM will be held on Thursday 17 March 2016 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		Change		Banking Denmark		Banking Finland		Banking Norway		Banking Sweden		Banking Baltic countries		Retail Banking other	
	2015	2014	%	Loc. curr. %	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Net interest income	3,502	3,832	-9	-7	1,111	1,233	755	752	679	767	888	1,013	148	145	-79
Net fee and commission income	1,077	1,094	-2	-1	211	175	356	373	162	173	378	378	29	25	-59	-30
Net result on items at fair value	438	398	10	13	82	99	129	102	87	69	124	128	14	3	2	-3
Equity method & other income	46	37	24	38	11	2	4	3	2	0	0	2	3	2	26	28
Total operating income	5,063	5,361	-6	-4	1,415	1,509	1,244	1,230	930	1,009	1,390	1,521	194	175	-110	-83
Staff costs	-1,438	-1,487	-3	-2	-288	-297	-218	-225	-137	-147	-271	-282	-27	-25	-497	-511
Other expenses and depr.	-1,155	-1,338	-14	-10	-464	-534	-389	-408	-267	-292	-480	-531	-60	-63	505	490
Total operating expenses	-2,593	-2,825	-8	-6	-752	-831	-607	-633	-404	-439	-751	-813	-87	-88	8	-21
Profit before loan losses	2,470	2,536	-3	-1	663	678	637	597	526	570	639	708	107	87	-102	-104
Net loan losses	-316	-431	-27	-26	-135	-222	-92	-72	-32	-54	-38	-10	-16	-61	-3	-12
Operating profit	2,154	2,105	2	4	528	456	545	525	494	516	601	698	91	26	-105	-116
Cost/income ratio, %	51	53	-	-	53	55	49	52	43	44	54	54	45	50	-	-
ROCAR, %	14	14	-	-	12	10	22	21	15	16	14	18	10	3	-	-

Other information, EURbn

Lending to corporates	79.1	81.0	-2	-1	22.4	22.3	15.5	15.3	17.3	18.9	18.8	19.2	5.2	5.2	-	-
Household mortgage lending	130.6	125.8	4	4	32.3	32.2	27.8	27.4	24.3	23.9	43.6	39.7	2.5	2.6	-	-
Consumer lending	22.6	23.9	-5	-5	10.9	11.8	6.4	6.4	0.2	0.6	4.7	4.8	0.4	0.3	-	-
Corporate deposits	46.9	44.8	5	5	9.3	9.2	10.8	10.1	9.2	9.8	14.5	12.6	3.1	3.0	-	-
Household deposits	73.7	73.6	0	0	22.9	24.0	20.6	20.8	7.3	8.0	21.6	19.6	1.3	1.2	-	-

Wholesale Banking, operating profit by unit

EURm	Total		Change		Corporate & Institutional Banking (CIB)		Shipping, Offshore & Oil Services		Banking Russia		Wholesale Banking other (including Capital Markets unallocated)	
	2015	2014	%	Loc. curr. %	2015	2014	2015	2014	2015	2014	2015	2014
	Net interest income	1,036	1,124	-8	-4	607	682	299	266	222	254	-92
Net fee and commission income	564	630	-10	-9	508	568	63	68	12	13	-19	-19
Net result on items at fair value	829	679	22	22	305	263	39	34	13	6	472	376
Equity method & other income	2	4	-50	-19	0	0	0	0	0	1	2	3
Total operating income	2,431	2,437	0	2	1,420	1,513	401	368	247	274	363	282
Staff costs	-637	-634	0	3	-37	-39	-20	-21	-44	-59	-536	-515
Other expenses and depr.	-236	-229	3	7	-377	-385	-39	-42	-30	-35	210	233
Total operating expenses	-873	-863	1	4	-414	-424	-59	-63	-74	-94	-326	-282
Profit before loan losses	1,558	1,574	-1	1	1,006	1,089	342	305	173	180	37	0
Net loan losses	-158	-98	61	72	-142	-122	-7	37	-23	-15	14	2
Operating profit	1,400	1,476	-5	-4	864	967	335	342	150	165	51	2
Cost/income ratio, %	36	35	-	-	29	28	15	17	30	34	-	-
ROCAR, %	13	13	-	-	16	17	19	22	24	26	-	-

Other information, EURbn

Lending to corporates	97.5	106.6	-9	-11	39.8	38.5	12.4	11.6	5.7	5.9	39.6	50.6
Lending to households	0.3	0.3	0	0	-	-	-	-	0.3	0.3	-	-
Corporate deposits	56.2	63.4	-11	-12	38.9	33.4	5.4	4.7	0.7	0.6	11.2	24.7
Household deposits	0.1	0.1	0	0	-	-	-	-	0.1	0.1	-	-

Wealth Management, operating profit by unit

EURm	Total		Change		Asset Management		Private Banking		Life & Pensions		Wealth Management other	
	2015	2014	%	Loc. curr. %	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	121	141	-14	-13	0	0	121	141	0	0	0	0
Net fee and commission income	1,437	1,170	23	23	760	590	337	307	340	273	0	0
Net result on items at fair value	341	355	-4	-3	3	6	102	88	236	261	0	0
Equity method & other income	30	27	11	18	4	1	9	7	17	19	0	0
Total operating income	1,929	1,693	14	15	767	597	569	543	593	553	0	0
Staff costs	-507	-492	3	4	-135	-120	-179	-172	-111	-121	-82	-79
Other expenses and depr.	-294	-293	0	1	-102	-103	-170	-177	-86	-83	64	70
Total operating expenses	-801	-785	2	3	-237	-223	-349	-349	-197	-204	-18	-9
Profit before loan losses	1,128	908	24	25	530	374	220	194	396	349	-18	-9
Net loan losses	-1	-3	-67	-62	0	0	-1	-3	0	0	0	0
Operating profit	1,127	905	25	25	530	374	219	191	396	349	-18	-9
Cost/income ratio, %	42	46	-	-	31	37	61	64	33	37	-	-
ROCAR, %	37	32	-	-	-	-	32	33	19	17	-	-
Other information, EURbn												
Lending to households	10.6	9.1	16	16	-	-	10.6	9.1	-	-	-	-
Deposits from the public	12.6	11.1	14	14	-	-	12.6	11.1	-	-	-	-

Group Corporate Centre, operating profit

EURm	2015	2014
Net interest income	388	288
Net fee and commission income	-13	-12
Net result on items at fair value	85	101
Equity method	0	0
Other operating income	17	20
Total operating income	477	397
Total operating expenses	-308	-307
Operating profit	169	90

Life & Pensions, profit drivers

EURm	2015	2014
Profit drivers		
Profit Traditional products	110	124
Profit Market Return products	223	174
Profit Risk products	72	63
Total product result	405	361
Return on shareholders' equity, other profits and group adjustments	-9	-12
Operating profit	396	349

MCEV composition of Nordea Life & Pensions

EURm	2015	2014
Denmark	865	1,160
Finland	1,878	1,815
Norway	1,049	1,102
Sweden	895	595
Poland	71	86
Total	4,758	4,758

Value of new business

Traditional business (APE)	0	0
Unit-linked (APE)	264	242
Risk products	5	6

New business margin

Traditional business	0%	0%
Unit-linked	33%	40%
Risk products	22%	21%

Total Nordea Group and Business Areas

	Retail Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group		Change	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	%	Loc. curr. %
EURm														
Net interest income	3,502	3,832	1,036	1,124	121	141	388	288	63	97	5,110	5,482	-7	-4
Net fee and commission income	1,077	1,094	564	630	1,437	1,170	-13	-12	-40	-40	3,025	2,842	6	8
Net result on items at fair value	438	398	829	679	341	355	85	101	10	-108	1,703	1,425	20	19
Equity method	6	5	0	0	0	0	0	0	33	13	39	18	117	114
Other operating income	40	32	2	4	30	27	17	20	174	391	263	474	-45	-44
Total operating income	5,063	5,361	2,431	2,437	1,929	1,693	477	397	240	353	10,140	10,241	-1	1
Staff costs	-1,438	-1,487	-637	-634	-507	-492	-269	-229	-412	-317	-3,263	-3,159	3	5
Other expenses	-1,076	-1,234	-217	-205	-289	-288	0	-54	97	125	-1,485	-1,656	-10	-9
Depreciations	-79	-104	-19	-24	-5	-5	-39	-24	-67	-428	-209	-585	-64	-64
Total operating expenses	-2,593	-2,825	-873	-863	-801	-785	-308	-307	-382	-620	-4,957	-5,400	-8	-6
Net loan losses	-316	-431	-158	-98	-1	-3	0	0	-4	-2	-479	-534	-10	-8
Operating profit	2,154	2,105	1,400	1,476	1,127	905	169	90	-146	-269	4,704	4,307	9	11
Cost/income ratio ¹ , %	51	53	36	35	42	46	65	77	-	-	47	49	-	-
ROCAR, %	14	14	13	13	37	32	-	-	-	-	15	14	-	-
Volumes, EURbn														
Lending to corporates	79.1	81.0	97.5	106.6	-	-	-	-	0.2	1.4	176.8	189.0	-	-
Household mortgage lending	130.6	125.8	0.3	0.3	6.7	5.9	-	-	-	-	137.6	132.0	-	-
Consumer lending	22.6	23.9	-	-	3.8	3.2	-	-	-	-	26.4	27.1	-	-
Corporate deposits	46.9	44.8	56.2	63.4	-	-	-	-	3.8	4.3	106.9	112.5	-	-
Household deposits	73.7	73.6	0.1	0.1	12.6	11.1	-	-	-	-	86.4	84.8	-	-

1) Excluding non-recurring items 2014 and 2015.

A 5-year income statement and balance sheet overview of the Group are presented in the financial statements chapter.

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, operational risk, compliance risk as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). All policies are reviewed at least annually.

The Board of Directors approves the credit instructions where powers-to-act for major 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 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 Group Chief Operating Officer (COO), prepares issues of major importance concerning the Group's financial operations and balance sheet risks 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 on 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 allocate the respective limits within the unit and may introduce more detailed limits and other risk-mitigating techniques such as stop-loss rules. The Risk Committee has established sub-committees for its work and decision-making within specific risk areas.

- The Group Executive Management Credit Committee (GEMCC) is chaired by the CEO and Executive Credit Committee (ECC) is 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 approve major internal credit risk customer limits constituting the maximum credit risk appetite on the customer in question. Individual credit decisions within approved internal credit risk limits are taken within the CRUs. Internal credit risk limits are granted as individual limits for customers or consolidated customer groups and as internal industry limits for certain defined industries.

Governance of Risk Management

Group Risk Management and Group Compliance is the second line of defence. The flow of risk-related information from the Business Areas and the group functions to the Board of Directors passes through Risk Committee and Board Risk Committee (BRIC). Reporting from Group Compliance is presented directly to the Board of Directors as well as discussed in the Board Audit Committee (BAC).

Group Risk Management is organised in divisions covering all risk types except compliance risk. The divisions are: Group Credit Risk, Group Credit & Financial Reporting Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Recovery and Resolution Planning and Group Strategic Risk Management and Analysis. The flow of information starts with the divisions that monitor, analyse and model information on the respective risk type. The risks are presented and discussed in the Risk Committee and sub-committees. Information on risk is then brought to BRIC where risk issues are discussed and prepared before presentation to the Board of Directors.

Group Compliance is organised in divisions covering all compliance risk types, with compliance divisions allocated to each Business Area. The purpose of Group Compliance is to add value to the Group and its stakeholders by providing an independent view on compliance to rules and regulations applicable to the Group, and by contributing to an effective and efficient compliance risk management.

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 2015

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2015, 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 2015, 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 also 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, internal credit risk limits are approved by credit decision making authorities on different levels in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). 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 risk categorised by 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 derivative contracts, transfer risk attributable to the transfer of money from another country and settlement risk. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are industry credit policies and principles in place establishing requirements and caps.

Credit risk mitigation

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.

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, pledged 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 defaulted and non-performing, and reported as impaired or not impaired depending on the deemed loss potential. Forbearance is negotiated terms or restructuring due to the 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 recognised if necessary. Forborne rated 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 purpose of collective loan loss reserves is to account for value reductions in the performing credit portfolio due to loss events that have occurred. Nordea's model for collective provisions uses a statistical model as a base-line for assessing the amount of provisions needed for the parts of Nordea's portfolios that are not individually assessed. The Collective provisioning model is based on migration of rated and scored customers in the credit portfolio. The assessment of collective impairment is built on an incurred loss concept, where the credit quality of each exposure is related to its initial credit quality. If the credit quality has deteriorated, collective provisions corresponding to a true and fair assessment of the expected loss is calculated by the model. Moreover, defaulted customers without individual provisions are also collectively assessed. The output of the model is complemented with an expert-based analysis process to ensure adequate provisioning. The model is executed quarterly and the output is a result of a bottom-up calculation from sub-exposure level, taking the latest portfolio development into account. 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 G46.

Credit portfolio

Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and is 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.

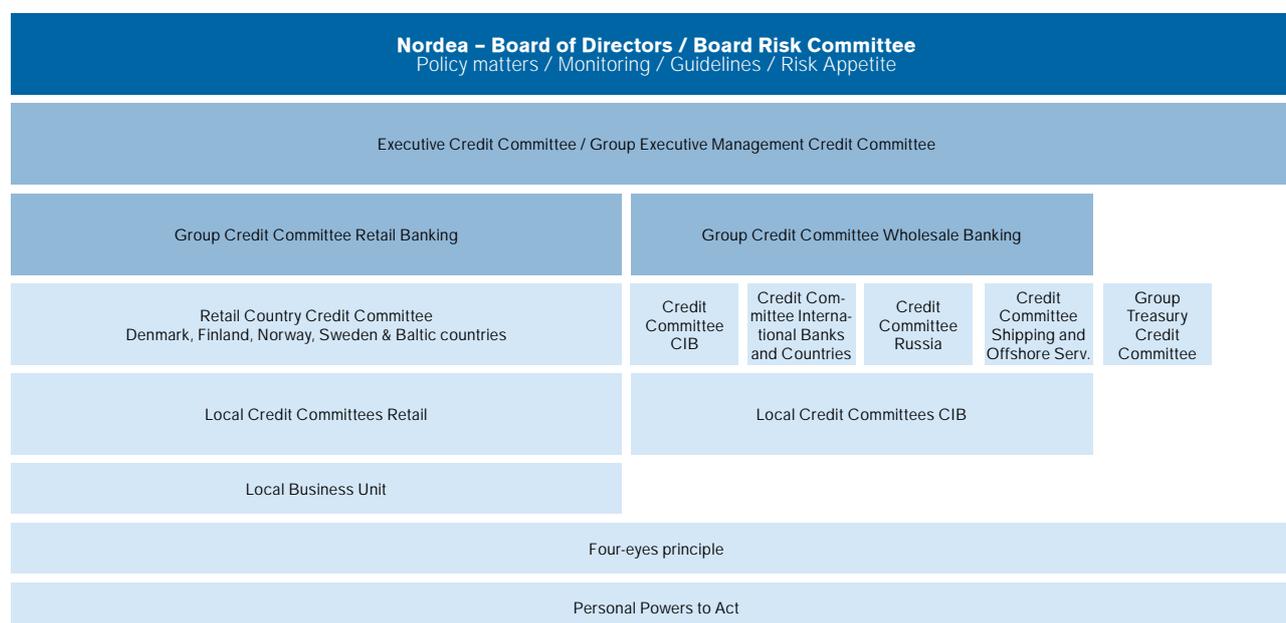
Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 588bn (EUR 598bn last year). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 498bn (EUR 488bn). See more information and breakdown of exposure according to the CRR definition in Note G46 and in the Capital and Risk Management Report.

Nordea's loans to the public decreased by 2% to EUR 341bn during 2015 (EUR 348bn in 2014). It is attributable to a decrease of approx. 6% in the corporate portfolio and an increase of 3% in the household portfolio. Lending to the public sector decreased 10%. 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 52% (54%), household customers for 46% (44%) and the public sector for 2% (2%). Lending in the Baltic countries constitutes 2.5% (2.0%) and the Shipping and offshore industry 3.1% (2.9%) of the Group's total lending to the public. Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, increased to EUR 24bn at the end of 2015 (EUR 19bn).

Loans to corporate customers

Loans to corporate customers at the end of 2015 amounted to EUR 178bn (EUR 188bn), down 6%. The sector that increased the most in 2015 was Other financial institutions while Consumer staples and Reverse repurchase agreements 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 41.8bn (EUR 42.2bn). The real estate portfolio predominantly consists of relatively large and financially strong companies, with

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 2015	31 Dec 2014*
To central banks and credit institutions	24,183	19,175
To the public	340,920	348,085
– of which corporate	177,542	188,290
– of which household	158,150	153,985
– of which public sector	5,228	5,810
Total loans	365,103	367,260
Off-balance credit exposure ¹	93,569	96,231
Counterparty risk exposure	32,457	35,659
Treasury bills and interest-bearing securities ²	75,342	77,584
Total credit risk exposure in the banking operations	566,471	576,734
Credit risk exposure in the life insurance operations	21,167	21,647
Total credit risk exposure including life insurance operations	587,638	598,381

* Lending excl. discontinued operations in Poland.

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

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

83% (87%) of the lending in rating grades 4- and higher. Approx. 34% of the lending to the real estate industry is to companies managing mainly residential real estate.

Loans to shipping and offshore increased by 6% to EUR 10.5bn in 2015 (EUR 10.0bn). The portfolio is well diversified by type of vessel, has a focus on large and financially robust industrial players and exhibits strong credit quality, with an average rating of 4. Nordea is a leading bank to the global shipping and offshore 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. 66% (73%) of the corporate volume is for loans up to EUR 50m per customer.

Loans to household customers

In 2015 lending to household customers increased by 3% to EUR 158bn (EUR 154bn). Mortgage loans increased slightly to EUR 130bn (EUR 126bn) 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 94% (89%). The portfolio is geographically well diversified with no market accounting for more than 28% of total lending. Other EU countries represent the largest part of lending outside the Nordic countries.

At the end of 2015, lending to customers in the Baltic countries was EUR 8.5bn (EUR 8.4bn), and to customers in Banking Russia EUR 6.0bn (EUR 6.2bn) of which EUR 3.6bn (EUR 4.3bn) to customers in the Russian legal entity.

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, i.e. retail exposures.

The credit quality was slightly improved in the corporate credit portfolio as well as in the scoring portfolio in 2015. 31% of the number of corporate customers migrated upwards (28%) while 9% were down-rated (21%). Exposure-wise, 24% (24%) of the corporate customer exposure migrated upwards while 18% (16%) were down-rated.

86% (84%) 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.

92% (91%) of the retail exposures is scored C- or higher, which indicates a probability of default of 1% or lower. Impaired loans are not included in the rating/scoring distributions.

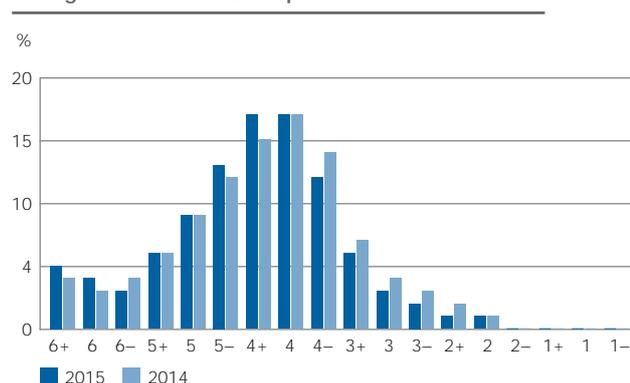
The total effect on credit risk exposure amount (REA) from migration was an increase of approx. 0.4% during the full year 2015.

Impaired loans

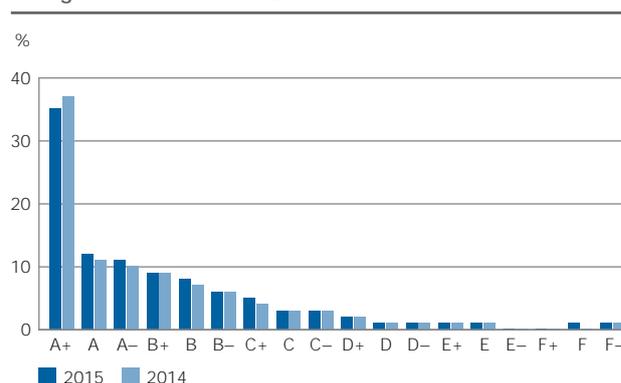
Impaired loans gross in the Group decreased to EUR 5,960m (EUR 6,425m), corresponding to 162 basis points of total loans (174 bps). 62% of impaired loans gross are performing and 38% are non-performing. Impaired loans net, after allowances for individually assessed impaired loans amounted to EUR 3,747m (EUR 4,096m), corresponding to 102 basis points of total loans (111 bps). Allowances for individually assessed loans decreased slightly to EUR 2,213m from EUR 2,329m. Allowances for collectively assessed loans increased slightly to EUR 451m from EUR 420m. The ratio of individual allowances to cover impaired loans increased to 37% and total allowances in relation to impaired loans were slightly higher at 45%.

The decrease in impaired loans was mainly related to the industries Paper and forest materials and Real estate management and investment. The industries with the largest increases in impaired loans were Other materials and Consumer staples.

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



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

31 Dec 2015, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	Group 2015	Group 2014 ¹
Energy (oil, gas, etc.)	1	3	868	1,884	25	253	3,035	3,534
Metals and mining materials	19	179	150	400	32	56	836	879
Paper and forest materials	309	759	47	456	59	0	1,629	1,866
Other materials (building materials, etc.)	365	1,534	463	1,669	229	1,827	6,087	6,638
Industrial capital goods	571	765	39	540	18	0	1,932	2,163
Industrial commercial services, etc.	4,819	1,368	2,287	3,556	487	0	12,517	12,291
Construction and engineering	1,030	703	1,675	970	234	1	4,613	4,653
Shipping and offshore	264	3,265	4,903	2,062	15	0	10,510	9,957
Transportation	377	813	711	893	662	144	3,601	3,981
Consumer durables (cars, appliances, etc.)	267	370	988	571	59	17	2,272	2,792
Media and leisure	797	536	341	735	58	0	2,467	2,782
Retail trade	3,229	1,894	1,092	2,749	601	19	9,584	10,256
Consumer staples (food, agriculture, etc.)	7,368	1,104	1,710	907	424	1	11,515	12,235
Healthcare and pharmaceuticals	676	344	156	573	32	0	1,781	1,621
Financial institutions	5,731	974	1,140	8,820	349	0	17,013	13,085
Real estate	8,581	8,038	8,346	14,861	1264	721	41,811	42,238
IT software, hardware and services	717	316	144	414	18	0	1,609	1,897
Telecommunication equipment	7	62	0	8	1	0	79	37
Telecommunication operators	49	542	177	447	13	14	1,242	1,248
Utilities (distribution and productions)	1,296	1,800	1,046	1,327	412	318	6,200	6,023
Other, public and organisations	2,970	1,564	98	9	296	0	4,938	3,607
Total excl reverse repurchase agreements	39,444	26,932	26,381	43,852	5,288	3,371	145,268	143,782
Reversed repurchase agreements	0	32,272	0	2	0	0	32,274	44,508
Total corporate loans	39,444	59,204	26,381	43,854	5,288	3,371	177,542	188,290
Household mortgage loans	28,819	28,906	25,460	44,209	2,593	245	130,232	125,931
Household consumer loans	10,719	7,873	1,453	5,672	421	7	27,919	28,054
Public sector	1,530	1,270	23	2,237	168	0	5,228	5,810
Total loans to the public	80,511	97,253	53,317	95,972	8,471	3,624	340,920	348,085
Loans to central banks and credit institutions	6,130	9,444	203	6,267	0	286	24,183	19,175
Total loans	86,642	106,696	53,520	102,239	8,471	3,909	365,103	367,260

1) Excl. discontinued operations in Poland

Impaired loans and ratios

	2015	2014 ¹
Gross impaired loans, Group, EURm	5,960	6,425
– of which performing	3,682	4,115
– of which non-performing	2,278	2,310
Impaired loans ratio, basis points	162	174
Total allowance ratio, basis points	72	74
Provisioning ratio	45%	43%

1) Excl. discontinued operations in Poland.

Past due loans 6 days or more to corporate customers that are not considered impaired increased to EUR 962m (EUR 628m), and past due loans to household customers increased to EUR 1,620m (EUR 1,258m) in 2015.

Net loan losses

Loan losses decreased 10% to EUR 479m in 2015 from EUR 534m in 2014. This corresponded to a loan loss ratio of 14 basis points (15 basis points). EUR 336m related to corporate customers (EUR 340m), and EUR 143m (EUR 194m) to household customers. Within corporates the main provisions were in the industries Consumer durables, in Consumer staples and in Retail trade. The major part of the household losses occurred in Denmark. Shipping, Offshore & Oil Services reported net loan losses of EUR 7m in 2015 compared to positive loan losses of EUR 37m in 2014.

Collective provisions were EUR 28m compared to EUR 4m in 2014.

Net loan losses and loan loss ratios

Basis points of loans	2015	2014 ¹
Net loan losses, EURm	–479	–534
Loan loss ratio, Group	14	15
– of which individual	13	15
– of which collective	1	0
Loan loss ratio, Retail Banking	14	19
Loan loss ratio, Corporate & Institutional Banking	36	32
Loan loss ratio, Shipping, Offshore & Oil Services	6	pos ²
Loan loss ratio, Baltic countries	20	75

1) Excl. discontinued operations in Poland.

2) Positive net loan losses, i.e. 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 2015 was EUR 32.5bn (EUR 35.7bn in 2014), of which the current exposure net (after close-out netting and collateral reduction) represents EUR 12.9bn. 56% of the exposure and 30% of the current exposure net was towards financial institutions.

For information about financial instruments subject to master netting agreement, see note G40.

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

31 Dec 2015, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	Group	Allowances	Provisioning ratio
Energy (oil, gas, etc.)	0	2	0	0	0	0	2	4	>100%
Metals and mining materials	1	26	29	1	3	0	60	35	59%
Paper and forest materials	7	1	1	21	0	0	30	27	89%
Other materials (building materials, etc.)	21	266	17	10	15	0	329	160	49%
Industrial capital goods	14	42	0	20	0	0	77	64	83%
Industrial commercial services, etc.	146	97	32	100	20	0	394	234	59%
Construction and engineering	131	27	17	7	13	0	194	87	45%
Shipping and offshore	48	20	21	21	0	0	110	122	>100%
Transportation	44	10	9	7	1	0	71	34	47%
Consumer durables (cars, appliances, etc.)	34	18	56	28	1	12	149	96	64%
Media and leisure	33	22	3	12	0	0	70	33	47%
Retail trade	209	96	6	42	9	0	362	195	54%
Consumer staples (food, agriculture, etc.)	834	48	6	3	14	0	906	329	36%
Healthcare and pharmaceuticals	16	7	0	0	0	0	23	9	41%
Financial institutions	228	27	79	0	0	0	334	207	62%
Real estate	348	52	37	10	158	0	605	245	40%
IT software, hardware and services	32	39	2	0	0	0	74	40	54%
Telecommunication equipment	0	1	0	0	0	0	1	1	64%
Telecommunication operators	1	2	4	2	0	0	8	28	>100%
Utilities (distribution and productions)	3	0	1	0	0	0	5	6	>100%
Other, public and organisations	39	0	0	0	16	0	56	77	>100%
Reversed repurchase agreements	0	0	0	0	0	0	0	0	0%
Total corporate impaired loans	2,190	805	319	284	251	12	3,860	2,031	53%
Household mortgages impaired loans	535	220	118	70	84	6	1,060	156	15%
Household consumer impaired loans	470	441	27	74	26	3	1,040	475	46%
Public sector impaired loans	0	0	0	0	0	0	0	0	95%
Credit institutions impaired loans	0	0	0	0	0	0	0	2	
Total impaired loans	3,194	1,466	464	427	361	21	5,960		
Total allowances	1,269	627	309	258	161	32		2,664	
Total provisioning ratio	40%	43%	67%	61%	45%	150%			45%

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

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

Market risk for the trading book figures, VaR¹

EURm	Measure	31 Dec 2015	2015 high	2015 low	2015 avg	31 Dec 2014
Total risk	VaR	33	71	13	32	25
Interest rate risk	VaR	32	66	11	28	20
Equity risk	VaR	7	14	4	6	7
Credit spread risk	VaR	6	11	4	7	7
Foreign exchange risk	VaR	4	21	2	7	3
Diversification effect	VaR	32%	62%	20%	41%	31%

1) For a description of Nordea's VaR model, see "Measurement of market risk" on page 38.

Market risk for the banking book figures, VaR¹

EURm	Measure	31 Dec 2015	2015 high	2015 low	2015 avg	31 Dec 2014
Total risk	VaR	77	98	48	75	43
Interest rate risk	VaR	76	87	41	67	37
Equity risk	VaR	3	6	1	3	10
Credit spread risk	VaR	3	11	3	5	13
Foreign exchange risk	VaR	3	34	2	15	7
Diversification effect	VaR	10%	30%	9%	20%	36%

1) For a description of Nordea's VaR model, see "Measurement of market risk" on page 38.

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 cyclicity, 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.

Foreign exchange rate positions in FX VaR¹

EURm	2015	2014
DKK	665.3	778.8
USD	91.7	100.8
SEK	-45.4	125.1
CAD	-39.8	0.9
CHF	-29.9	-32.3
HKD	-27.1	-4.7
GBP	-27.0	-7.1
NZD	23.5	-2.1
Other ²	16.5	

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.

Market risk analysis

The market risk for the Nordea trading book is presented in the table above. The total VaR was EUR 33m at the end of 2015 (EUR 25m at the end of 2014). Interest rate VaR was EUR 32m (EUR 20m). The market risk for Nordea banking book is presented in the table above. The total VaR was EUR 77m at the end of 2015 (EUR 43m at the end of 2014). Interest rate VaR was EUR 76m (EUR 37m).

The fair value of the portfolio of illiquid alternative investments was EUR 553m at the end of 2015 (EUR 448m at the end

of 2014), of which private equity funds EUR 186m, hedge funds EUR 137m, credit funds EUR 160m and seed-money investments EUR 70m. All four types of investments are spread over a number of funds.

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, although 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 383.8m (EUR 383.7m) and the SIIR for decreasing market rates was EUR 13.2m (EUR -159.9m) These figures imply that net interest income would increase if interest rates rise. Due to floors on the scenario definitions, the net interest income increases in both upward and downward scenarios.

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 is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

Managing operational risk is part of management's responsibilities. Operational risks are monitored through regular risk assessment procedures and a systematic, quality and risk focused management of changes. Development of products, services, activities, processes and systems as well as organisational changes 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 that 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 the first line of defence. The control function Group Operational Risk, in Group Risk Management, is in the second line of defence and responsible for activities such as independently monitoring, controlling and reporting on issues related to key risks. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the 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.

Compliance risk

Nordea defines compliance risk as the risk of failing to comply with laws, regulations, rules and prescribed practices and ethical standards, governing Nordea's activities in any jurisdiction, which could result in material financial or reputational loss to the Group, regulatory remarks or sanctions.

The key principle for the management of compliance risk is the three lines of defence. The first line of defence represented by the Business Areas and Group Functions are risk owners, and are responsible for their own daily risk management and control of compliance risks. Management at all levels are responsible for operating their business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes, and for implementing and executing Group-level and Business Area-level instructions and guidelines.

Group Compliance is a second line of defence, as a risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance with relevant rules and regulations, based to a great extent on conducted monitoring activities. Furthermore, Group Compliance also advises and supports the first line on ways to effectively and efficiently handle compliance obligations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defence.

In the spring of 2015 Nordea received a warning and a SEK 50 million fine from the Swedish Financial Supervisory Authority for insufficient processes to counteract money laundering and terrorist financing. Although Nordea had taken thorough measures in the past few years to strengthen this area, the fine proved that we had underestimated the complexity and the resources needed to meet all requirements.

To specifically address the deficiencies in this area the bank has established a Financial Crime Change Programme, which is a holistic approach to developing a group-wide and sustainable standard for the prevention of financial crime.

Broader change activities aimed at strengthening the general compliance framework in Nordea has accelerated significantly. Initiatives are targeted both at strengthening regulatory implementation capability in the first line, and strengthening Group Compliance to ensure the second line role is executed in accordance with regulatory and internal requirements.

The supervisory authorities have during 2015 conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice and AML. The outcome of some 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 continues to be 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 investment return enables Nordea Life & Pensions to meet the guarantees offered and customers' 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 in 2015

In 2015, 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 25bn in long-term debt, excluding subordinated debt and covered bonds issued by Nordea Kredit Realkreditaktieselskab, of which approx. EUR 14bn in the Swedish, Finnish and Norwegian covered bond markets. The 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. Nordea is also compliant with EBA Delegated Act LCR, which came into force in October 2015.

Management principles and control

Group Treasury & ALM is responsible for pursuing 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 Market and Counterparty Credit Risk develops the liquidity risk frameworks, which consist of policies, instructions and guidelines for the Group.

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 on page 42. As of year-end 2015, the total volume utilised under short-term programmes was EUR 49.3bn (EUR 53.1bn) with the average maturity being 0.3 (0.3) years. The total volume under long-term programmes was EUR 152.7bn (EUR 141.2bn) with average maturity being 6.0 (6.4) years. In 2015, the volume of long-term programmes increased by EUR 11.5bn whilst the volume of short-term programmes decreased by EUR 3.8bn. 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. The stress testing framework also includes sur-

vival horizon metrics (see below), which represent 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 in which Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury & ALM that can be readily sold or used as collateral in funding operations.

In 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 Net Balance of Stable Funding, NBSF, which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months, as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The CEO in GEM has set 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 2015. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +20.4bn (EUR +11.3bn). Nordea's liquidity buffer range was EUR 54.6–82.3bn (EUR 59.5bn–67.3bn) throughout 2015 with an average buffer size of EUR 61.9bn (EUR 62.5bn). Nordea's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury & ALM, as shown in the table on page 42. Survival horizon was in the range EUR 40.6bn–55.8bn (EUR 42.1bn–54.7bn) throughout 2015 with an average of EUR 48.4bn (EUR 46.9bn). The aim of always maintaining a positive NBSF was comfortably achieved throughout 2015. The yearly average for the NBSF was EUR 55.0bn (EUR 51.1bn).

The Liquidity Coverage Ratio (LCR) according to Swedish rules for the Nordea Group was at the end of 2015 201% (149%) with yearly average of 134% (131%). At the end of 2015 the LCR according to Swedish rules in EUR was 303% (307%) and in USD 188% (169%), with yearly averages of 191% and 145%, respectively. LCR according to EBA Delegated Act was 161% at the end of the year.

Net balance of stable funding, 31 December 2015

Stable liabilities and equity, EURbn	Amount
Tier 1 and tier 2 capital	30.0
Secured/unsecured borrowing >1 year	126.2
Stable retail deposits	30.2
Less stable retail deposits	51.5
Wholesale deposits <1 year	85.0
Total stable liabilities	322.7
Stable assets, EURbn	Amount
Wholesale and retail loans >1 year	237.8
Long-term lending to banks and financial companies	4.8
Other illiquid assets	14.8
Total stable assets	257.4
Off-balance-sheet items	2.3
Net balance of stable funding (NBSF)	63.0

Funding sources, 31 December 2015

Liability type, EURm	Interest rate base	Average maturity (years)	Amount
Deposits by credit institutions			
– shorter than 3 months	Euribor etc.	0.0	36,210
– longer than 3 months	Euribor etc.	0.5	7,999
Deposits and borrowings from the public			
– Deposits on demand	Administrative	0.0	144,774
– Other deposits	Euribor etc.	0.2	48,568
Debt securities in issue			
– Certificates of deposits	Euribor etc.	0.3	26,018
– Commercial papers	Euribor etc.	0.2	23,243
– Mortgage covered bond loans	Fixed rate, market-based	7.3	106,746
– Other bond loans	Fixed rate, market-based	3.1	45,930
Derivatives		n.a.	79,505
Other non-interest-bearing items		n.a.	32,152
Subordinated debentures			
– Dated subordinated debenture loans	Fixed rate, market-based	6.5	5,940
– Undated and other subordinated debenture	Fixed rate, market-based	n.a.	3,260
Equity			31,032
Total			591,377
Liabilities to policyholders			55,491
Total, including life insurance operations			646,868

For a maturity breakdown, see Note G44.

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 G37 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 policy

The Nordea Group's current capital policy states that Nordea Group under normal business conditions should have minimum targets for common equity tier 1 (CET1) capital ratio, tier 1 ratio and total capital ratio that exceed the capital requirements received from the Swedish FSA. Nordea will maintain a management buffer of 50–150bps above the regulatory CET1 requirement.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with the requirements in the CRR. Nordea had 89% of the credit risk exposure amount covered by internal rating based (IRB) approaches by the end of 2015. Nordea aims to implement the IRB approach for some remaining portfolios in 2016. 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's Internal Capital Requirement (ICR) was EUR 15.2bn at the end of the year, representing an increase of EUR 238m compared to the previous year. The ICR should be compared to the own funds, which was EUR 30,900m at the end of the fourth quarter. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Pillar III report. In addition to the ICR supervisors are requiring Nordea to hold capital for other risk as identified by supervisors communicated as part of the Supervisory review and evaluation process (SREP). At year end the CET1 requirement from the Swedish FSA was assessed at EUR 9.7bn or 15.5% of REA. The combined buffer requirement consists of a 3% systemic risk buffer, a 2.5% capital conservation buffer and a 0.4% countercyclical buffer. In accordance with Swedish FSA Memorandum on Capital Requirements for Swedish banks (Sept. 2, 2015), the calculation of the countercyclical buffer is based on the Swedish and Norwegian buffer rate of 1%. The buffer rates will increase from 1 to 1.5% when the new buffer rates enter into force in the second quarter 2016. The Pillar 2 part consists of 0.9% as a result of the risk weight floors in Sweden and Norway and 0.6% from the use of benchmark models and 1.5% in other Pillar II add-ons. The capital target includes pillar 2 add-ons that does not affect the MDA level, i.e. pillar 2 add-ons communicated by the FSAs but without the

Capital requirements and REA

EURm	31 Dec 2015		31 Dec 2014
	Minimum capital requirement	REA	REA
Credit risk	9,358	116,978	119,029
- of which counterparty credit risk	761	9,510	10,535
IRB	8,297	103,717	105,637
- corporate	5,630	70,371	71,792
- advanced	4,497	56,211	50,600
- foundation	1,133	14,160	21,192
- institutions	682	8,526	9,572
- retail	1,802	22,520	21,940
- secured by immovable property collateral	1,016	12,702	11,219
- other retail	786	9,818	10,721
- other	183	2,300	2,333
Standardised	1,061	13,261	13,392
- central governments or central banks	40	504	717
- regional governments or local authorities	19	237	211
- public sector entities	3	32	20
- multilateral development banks	0	0	–
- international organisations			
- institutions	23	282	338
- corporate	169	2,109	1,921
- retail	251	3,137	3,181
- secured by mortgages on immovable properties	231	2,887	2,777
- in default	9	119	155
- associated with particularly high risk	59	741	666
- covered bonds			
- institutions and corporates with a short-term credit assessment			
- collective investments undertakings (CIU)			
- equity	209	2,617	2,442
- other items	48	596	964
Credit Value Adjustment Risk	140	1,751	2,308
Market risk	522	6,534	7,341
- trading book, Internal Approach	239	2,990	3,898
- trading book, Standardised Approach	96	1,209	1,447
- banking book, Standardised Approach	187	2,335	1,996
Operational risk	1,363	17,031	16,842
Standardised	1,363	17,031	16,842
Additional risk exposure amount, Article 3 CRR	80	1,000	–
Sub total	11,463	143,294	145,520
Adjustment for Basel I floor			
Additional capital requirement according to Basel I floor	6,283	78,533	74,938
Total	17,746	221,827	220,458

formal decision required to make the add-on a strict capital requirement. Currently the MDA level is 10.4% and it will increase to 10.6%, the MDA level limits dividends and interest to AT1 holders.

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 in 2015 to reduce the gap between legal equity and allocated capital. Economic Capital (EC including Nordea Life and Pensions) was at the end of 2015 EUR 25.0bn (EUR 23.8bn as of 2014, 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. In 2015 there were no changes to the EL framework apart from the regular update of parameters based on the latest valuations. The EL ratio used in the EP framework, calculated as EL divided by exposure at default (EAD), was 10 basis points as of year-end 2015 (12 basis points as of 2014) 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 of 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. Additional tier 1 and tier 2 capital consists 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 ³ 2015	31 Dec ³ 2014
Calculation of own funds		
Equity in the consolidated situation	29,959	29,063
Proposed/actual dividend	-2,584	-2,501
Common Equity Tier 1 capital before regulatory adjustments	27,375	26,562
Deferred tax assets		
Intangible assets	-2,866	-2,584
IRB provisions shortfall (-)	-296	-344
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities ¹	-296	-33
Other items, net	-342	-780
Total regulatory adjustments to Common Equity Tier 1 capital	-3,800	-3,741
Common Equity Tier 1 capital (net after deduction)	23,575	22,821
Additional Tier 1 capital before regulatory adjustments	2,968	2,779
Total regulatory adjustments to Additional Tier 1 capital	-27	-12
Additional Tier 1 capital	2,941	2,767
Tier 1 capital (net after deduction)	26,516	25,588
Tier 2 capital before regulatory adjustments	5,940	5,011
IRB provisions excess (+)		
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies	-1,501	-505
Pension assets in excess of related liabilities		
Other items, net	-55	-45
Total regulatory adjustments to Tier 2 capital	-1,556	-550
Tier 2 capital	4,384	4,461
Own funds (net after deduction)²	30,900	30,049

1) Based on conditional FSA approval.

2) Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 31,196m by 31 Dec 2015.

3) Including profit for the period.

Capital adequacy ratios

	2015	2014
Common Equity Tier 1 (CET1) capital ratio excluding Basel I floor (%)	16.5	15.7
Tier 1 ratio excluding Basel I floor (%)	18.5	17.6
Capital ratio excluding Basel I floor (%)	21.6	20.6
Capital adequacy quotient (Own funds/capital requirement excluding Basel I floor)	2.7	2.6
Capital adequacy quotient (Own funds/capital requirement including Basel I floor)	1.8	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, as amended), based on Directive 2002/87/EC, as amended.

Further information - Note G37 Capital adequacy and the Capital and Risk Management Report

Further information on capital management and capital adequacy is presented in Note G37 Capital adequacy and in the Capital and Risk Management Report at www.nordea.com.

New regulations

The Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR) entered into force on 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 in 2014.

The countercyclical capital buffer (CCyB) was activated at 1% in Sweden on 13 September 2015. On 9 July Finansinspektionen decided to recognise countercyclical buffer rates up to 2.5% that are set by the designated authority of another EEA country. Finansinspektionen, on 23 June, declared that the buffer rate will be increased to 1.5% applicable from 27 June 2016.

On 22 June Finansinspektionen announced that Nordea, at group level, was identified as a globally systemically important institution (G-SII). In addition to this Nordea was, on 13 October, identified as other systemically important institution (O-SII). The buffers are to be met with CET1 capital and be applicable from 1 January 2016. However, neither the G-SII buffer (1%) nor the O-SII buffer (2%) will increase Nordea's buffer requirement since Nordea is already obliged to hold a systemic risk buffer (SRB) of 3%. According to the legislation, the higher of G-SII or O-SII and the SRB should be applicable.

Updates on Basel III and the CRD IV/CRR

On 10 December 2015 the Basel Committee on Banking Supervision (BCBS) released a second consultative document on revisions to the standardised approach for credit risk. The proposal differs in several ways from the initial proposal published in December 2014. The previous proposal removed all references to external credit ratings and assigned risk weights based on a limited number of alternative risk drivers. The new proposal reintroduces the use of ratings for exposures to banks and corporates. The intention from the BCBS is to finalise the work by the end of 2016.

On 14 January 2016 the BCBS published the revised market risk framework, "Minimum capital requirements for market risk". The key features of the framework include a revised boundary, revised internal models, revised standardised approach, a shift from value-at-risk to an expected shortfall measure of risk under stress and the incorporation of the risk of market illiquidity. The framework enters into force on 1 January 2019.

On 1 July the BCBS published a consultative document on the review of the CVA risk framework. The objectives of the review are to ensure that all important drivers of CVA risk and CVA hedges are covered in the framework, to align the framework with various accounting regimes and to ensure consistency with the revised market risk framework. The proposal includes an internal models approach and a standardised approach for CVA risk. The intention from the BCBS is that the revised CVA framework is to be finalised in mid-2016.

On 6 October 2014 the BCBS published a consultative document on the revision of the simpler approaches for operational risk. It has been stated that there will be a second consultation on this in 2016 together with major changes to the advanced approach for operational risk (AMA).

On 22 December 2014 the 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. The intention from the BCBS is to finalise the design and calibration of the floor by the end of 2016.

The BCBS will finalise the calibration of the leverage ratio in 2016 in order to implement it as a pillar 1 requirement by 1 January 2018. In a statement on 11 January 2016 it was stated that the leverage ratio will be based on a Tier 1 definition and should comprise a minimum level of 3% with the possibility to set an additional requirement for G-SIBs.

Bank Recovery and Resolution Directive

The Bank Recovery and Resolution Directive (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 crisis, while maintaining financial stability. The BRRD requires banks to draw up recovery plans to describe the measures they would take in order to remain viable if their financial situation were considerably weakened. The BRRD also sets the minimum requirement for own funds and eligible liabilities (MREL) for all EU banks. The national implementation of BRRD is finalised in Denmark and Finland while the legislation in Sweden is expected to be in force by February 2016. Simultaneously, the national resolution authorities are set up as are national resolution funds. In Norway the BRRD is not yet incorporated in the EEA agreement, but the intention is to implement national legislation that resembles the BRRD.

In November the Financial Stability Board (FSB) published the final standards on total loss absorbing capacity (TLAC). 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. Work is ongoing to align the TLAC and MREL frameworks within European legislation.

Bank structural reform

The European Commission published a proposal for Bank Structural Reform in January 2014. The Commission proposal to ban proprietary trading and separate certain trading activities based on supervisory assessment was discussed both in the European Parliament and in the Council in 2015; the Council reached a general approach but a final agreement has not yet been reached within the Parliament. It is expected that the negotiations in the Trilogue will start in 2016. The timing of finalisation and possible implementation is still unclear.

Solvency II

The Solvency II regime, which entered into force on 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 risk ownership is anchored with executive management and the Board of Directors
- ensure that 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 are still pending.

Corporate Governance Report 2015

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) (the "Company") 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 2015.

In 2015, 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.

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.

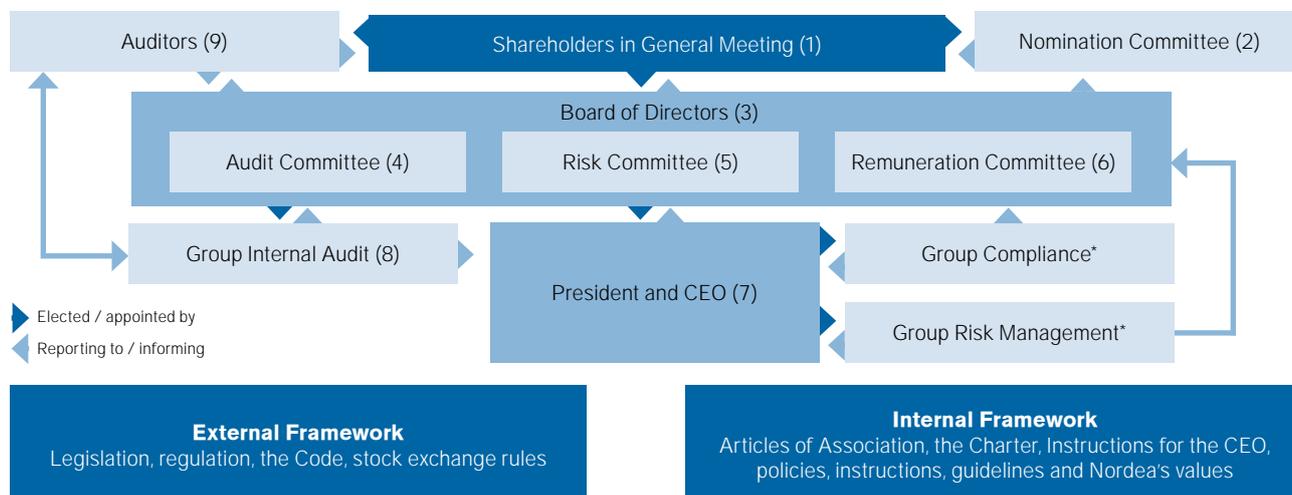
General Meetings are held in Stockholm. The minutes of the Annual General Meeting (AGM) 2015, are available at www.nordea.com.

The AGM 2016 will be held on Thursday 17 March 2016.

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

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 24–25 and 33–42.

and ratings" on page 21 and in the "Financial Review 2015" on page 26.

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 2015 on page 26.

Mandate to issue convertible instruments

Information on the mandate to issue convertible instruments is presented in the Financial Review 2015 on page 26.

Nomination process (2)

The AGM 2015 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 2016.

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 2015, who wish to participate in the Committee.

The composition of the Nomination Committee was made public on 17 September 2015. Sampo plc had appointed Torbjörn Magnusson, Nordea-fonden had appointed Mogens Hugo, Alecta had appointed Katarina Thorslund and AMF and AMF Funds had appointed Anders Oscarsson. Torbjörn Magnusson had been appointed chairman of the Nomination Committee. At the date of constitution, the Nomination Committee represented 29.4% of the shareholders' votes.

The proposals of the Nomination Committee are presented in the notice of the AGM 2016 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 primary 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 and it is recognised that diversity, including age, gender, geographical provenance and educational and professional background, are important factors to consider.

The Board consists of nine members elected by the General Meeting. They are Björn Wahlroos (Chairman), Marie Ehrling (Vice Chairman), Tom Knutzen, Robin Lawther, Lars G. Nordström, Sarah Russell, Silvija Seres, Kari Stadigh and Birger Steen. Silvija Seres and Birger Steen are new board members as of the AGM 2015.

In addition, three members and one deputy member are appointed by the employees – Hans Christian Riise, Kari Ahola, Toni H. Madsen and Lars Oddestad (currently deputy member). 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 49 and further information regarding the Board members elected by the AGM 2015 is presented in the section "Board of Directors" on page 214.

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 10% 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 49.

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 2015 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.

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) provides annually the Board with an assessment of the overall effectiveness of the governance, risk management and control processes. Further information regarding internal control within Nordea is provided on page 50 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 2015, the Board held 15 meetings. 12 meetings were held in Stockholm, one in London and two meetings were held per capsulam. For more information see the table on page 49. The Board regularly follows up on the strategy, financial position and development as well as risks. The financial targets and the strategy are reviewed on an annual basis. In 2015, the Board also dealt with for example reports on and issues related to succession planning, AML, internal control and compliance, the financial market and macroeconomic trends, new regulatory initiatives, capital and liquidity, Internal Capital Adequacy Assessment Process (ICAAP), the group simplification programme, legal structure, remuneration issues, transactions of significance and the work of the Board Committees.

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 for the purpose of continuously improving the work. The evaluation is based on methodology that includes questionnaires to evaluate the Board as a whole, the Chairman and individual Board members. The result of the

self-evaluation process is discussed by the Board and presented to the Nomination Committee by the Chairman.

According to European regulatory requirements, an internal process has been set up for assessing the suitability both of the members of the Board of Directors individually and of the Board of Directors as a whole. This assessment is done when new board members are to be notified to the Swedish Financial Supervisory Authority and whenever appropriate.

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 GIA. The BAC is further accountable for keeping itself informed as to the statutory audit of the annual and consolidated accounts, reviewing and monitoring the impartiality and independence of the external auditors and, in particular, the provision of additional services to the Nordea Group, and assisting the Nomination Committee in preparing proposals on auditors. In addition, the BAC is accountable for the guidance and evaluation of the GIA.

Members of the BAC are Tom Knutzen (chairman), Sarah Russell and Silvija Seres (as of the AGM 2015). Elisabeth Grieg was a member until the AGM 2015. Generally, the Group Chief Audit Executive (CAE), the Group Chief Operating Officer (COO) and Deputy Group CEO as well as the Group 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 49.

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. 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 35.

According to regulations issued by the Swedish Financial Supervisory Authority, the BRIC members shall be board members who are not members of the Company's executive management. The Company complies with these rules. For more information, see the table below.

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 and Group COO and Deputy 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.

	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 (of which per capsulam)	15 (2)	10	6	8		
Meetings attended:						
Elected by AGM						
Björn Wahlroos ²	15	–	–	8	Yes	No
Marie Ehrling ³	15	–	–	8	Yes	Yes
Elisabeth Grieg ⁴	1	2	–	–	Yes	Yes
Tom Knutzen	15	10	–	–	Yes	Yes
Robin Lawther	15	–	6	–	Yes	Yes
Lars G Nordström	14	–	5	–	Yes	Yes
Sarah Russell	14	10	–	–	Yes	Yes
Silvija Seres ⁵	11	7	–	–	Yes	Yes
Kari Stadigh	15	–	6	–	Yes	No
Birger Steen ⁶	11	–	–	–	Yes	Yes
Appointed by employees						
Kari Ahola (deputy 1 Nov 2014–30 Apr 2015)	15	–	–	–	No	Yes
Toni H. Madsen	15	–	–	–	No	Yes
Lars Oddestad (deputy 1 Nov 2015–30 Apr 2016)	15	–	–	–	No	Yes
Hans Christian Riise (deputy 1 May 2015–31 Oct 2015)	15	–	–	–	No	Yes

1) For additional information, see Independence on page 47.

2) Chairman from AGM 2011.

3) Vice Chairman from AGM 2011.

4) Board and Committee member until AGM 2015.

5) Board and Committee member from AGM 2015.

6) Board member from AGM 2015.

Members of the BRC are Marie Ehrling (chairman) 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 53 and in Note G7, on page 95.

Meetings, attendance and independence

The table below shows the number of meetings held by the Board of Directors and its Committees as well as the attendance of the individual Board members. It also shows the independence of the individual Board members in relation to the Company as well as to the major shareholders.

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 in relation to 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 33. The CEO works together with certain senior officers within the Group in GEM. Presently, GEM consists of eight 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. Minutes 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 216.

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 risk owners, and thus responsible for conducting their business within risk exposure limits and the risk appetite and in accordance with the decided internal control and risk management framework. As the second line of defence, the centralised risk control functions are responsible for activities such as, identifying, assessing, monitoring, controlling and reporting of issues related to all key risks including compliance with internal and external frameworks. GIA, which is the third line of defence, performs audits and provides the Board of Directors with an assessment of the overall effectiveness of the governance, risk management and internal control processes.

Internal audit (8)

GIA is an independent function commissioned by the Board of Directors. The Board Audit Committee is responsible for guidance on and evaluation of GIA within the Nordea Group. The Group Chief Audit Executive (CAE) has the overall responsibility for GIA. The CAE reports 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 objective of GIA is, on the basis of its audits, to provide the Board of Directors with an assessment of the overall effectiveness of the governance, risk management and control processes.

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, in performing its audit work and in 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 2015, Öhrlings PricewaterhouseCoopers AB was elected auditor until the end of the AGM 2016. Peter Clemetson 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 Group Executive Management.

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.

Clear roles and responsibilities are critical in the governance of Internal Control over Financial reporting where the risk owners in the business areas and the Group Finance & Business Control is responsible for the risk management activities. A risk management function supports the risk owners in maintaining a Group-wide set of controls, in line with the risk framework, which covers the controlling of risks and the risk identification process, that to a large extent is based on the actual business and financial closing processes in place. An independent risk control function that is responsible for identifying, controlling and reporting on financial reporting risk has been established in Group Risk Management (GRM). On top of that, the internal audit function provides

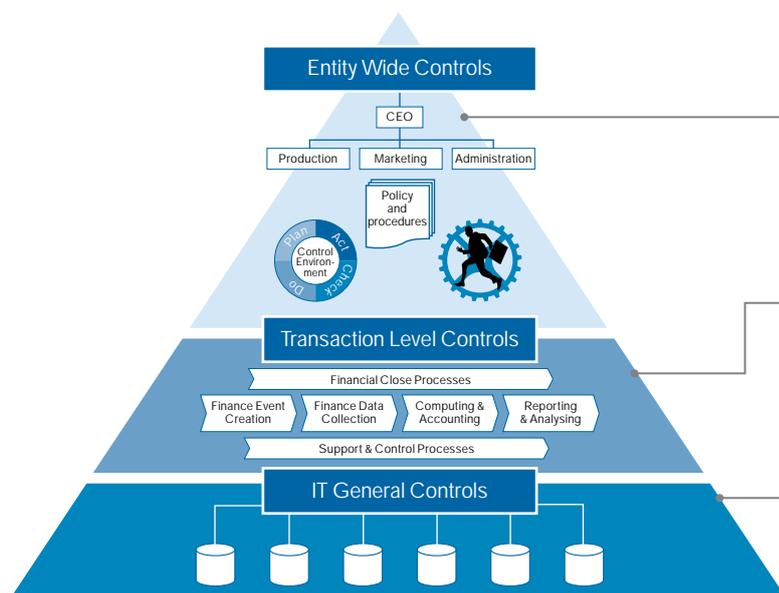
the Board of Directors with an assessment of the overall effectiveness of the governance, risk management and control processes.

Risk Assessment

The Board of Directors bears ultimate responsibility for limiting and monitoring Nordea'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.

Risk assessment in relation to reliable financial reporting involves the identification and analysis of risks of material misstatements. Financial risk control work in Nordea only focuses on risks and processes which could lead to material financial misstatements, i.e. if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item. Structured risk assessment procedures determine in which divisions, locations and/or processes risks for material financial misstatements exist and therefore will need to be monitored under the Accounting Key Control (AKC) framework to ensure reasonable assurance of the reliability of Nordea's external financial reporting.

Control activities



Examples of control activities in Nordea:

Entity-Wide Controls

Group Accounting Manual, Financial Control Principles, Group Valuation Committee, numerous analyses in Management Reporting

Transaction Level Controls

Reconciliations, approvals, financial controlling analysis, authorisation, automated controls and intra Group eliminations

IT General Controls

Controls over access, systems development and deployment, data back-up & recovery and logical and physical security critical to the integrity of the financial reporting process

Control Activities

The heads of the respective units are primarily responsible for managing the risks, associated with the units' operations and financial reporting processes. This responsibility is primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, 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.

AKC control structure is based on that Transaction Level Controls are identified through analysing risks based on high level processes with an end-to-end product focus. After deciding on the TLCs an analysis is performed to decide what systems/applications are in scope for AKC. The analysis aims at scoping in the major systems where there is a risk that data becomes corrupt without being detected in the TLC control structure.

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 Finance & Business Control is 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. Accounting specialists from Group Finance & Business Control continuously provide accountants and controllers with information on changes 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.

The AKC reporting procedures provides management at different levels in the organisation with information related to the performance and assessment of the identified AKCs in the form of Process Owner reports and Management Dashboard reports with summary of assessment outcome and high risk areas.

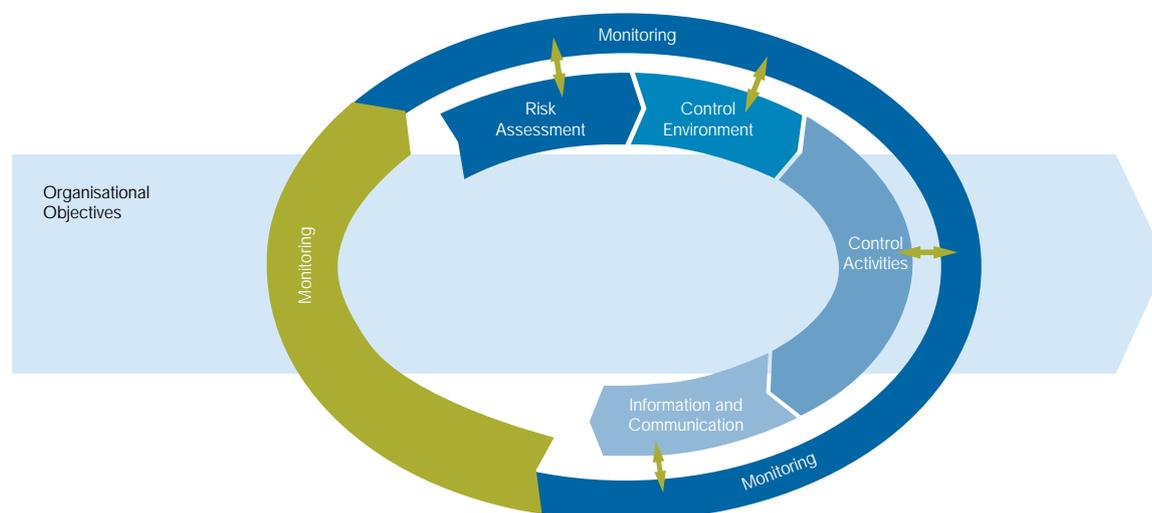
Monitoring

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 the CEO in 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.

Group Finance & Business Control has also established a specific Internal Control report of Financial Reporting to the Group CFO covering risk management and high risk areas. The independent risk control function within GRM reports specifically on financial reporting risk to Board Audit Committee and CEO in Group Executive Management.



Remuneration

Nordea has a 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 differentiated 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 criterion for the 2015 programme is Risk adjusted Return on Capital at Risk (RAROCAR).

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 2015 are Nordea's internal version of ROE being Risk-Adjusted Return On Capital At Risk (RAROCAR), Operating Profit and Total costs.

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 2015. 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-eyes principle, quality and efficiency of internal communication and an independent evaluation process.

Performance-related compensation for 2015 for employees in the risk analysis defined as Identified Staff will be partially deferred in 2016 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 17 March 2016.

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.

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" on page 46.

The external auditors presented a report to the AGM 2015 stating that, in 2014, the Board of Directors and the CEO complied with the guidelines for remuneration for executive officers as adopted by the AGM 2011, 2012, 2013 and 2014.

Further information about remuneration is found in Note G7.

Approved guidelines for remuneration for executive officers for 2015

The AGM 2015 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 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 in 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."

Proposal for guidelines for remuneration for executive officers for 2016

The Board of Directors of Nordea Bank AB (publ) proposes that the annual general meeting on 17 March 2016 resolves on the following guidelines for remuneration to 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 and Deputy CEO of Nordea Bank AB (publ) and the executives who are members of Group Executive Management (GEM).

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 2016 (GEM EIP 2016) to reward performance that meets predetermined targets at Group, business area/group function and individual level. GEM members responsible for second line defence, i.e. Head of Group Risk Management and Head of Group Compliance, do not have Group level targets. The effect on the long-term result is to be considered when determining the targets. The outcome from GEM EIP 2016 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 2016 has a one-year performance period and the outcome shall not exceed the fixed salary. The executive officers were offered a similar programme in 2013, 2014 and 2015 (GEM EIP 2013, GEM EIP 2014 and GEM EIP 2015).

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 required due to new remuneration regulations or if there are other special reasons for this in a certain case.

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

Deviations from approved guidelines in 2015:

There have been no deviations from the approved guidelines in 2015.

Cost of variable remuneration for executive officers (excluding social cost):

2015 – The actual cost for GEM EIP 2015 is EUR 5.0m to be paid over a five year period.

2016 – The estimated maximum cost for GEM EIP 2016 is EUR 6.5m and the estimated cost assuming 65% fulfilment of the performance criteria is EUR 4.1m.

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 2015, a total of EUR 82m was provided for under Nordea's Profit Sharing scheme for all employees. For 2015, each employee can receive a maximum of EUR 3,200, based on a predetermined level of Risk adjusted Return on Capital at Risk (RAROCAR). If all performance criteria were met, the cost of the scheme would have amounted to a maximum of approx. EUR 92m.

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

Nordea's Executive Incentive Programme 2015 ("EIP 2015") 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 2016, Nordea will offer an EIP 2016 with similar aims and structure as EIP 2015.

EIP rewards performance that meets agreed predetermined targets at Group, 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 2015 is paid no earlier than October 2019.

Participation in the programme will be offered to up to 400 managers and key employees, except GEM, at the Nordea Group. Since 2013, EIP has been offered instead of Nordea's LTIP and VSP for the invited employees.

Proposed distribution of earnings

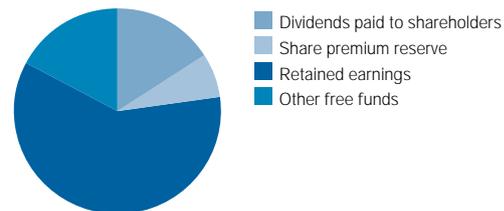
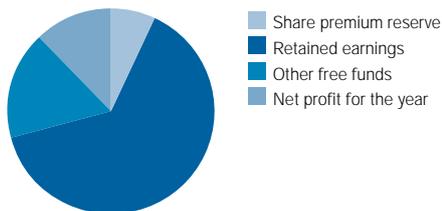
According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

EUR	
Share premium reserve	1,079,925,521
Retained earnings	10,265,334,427
Other free funds	2,762,284,828
Net profit for the year	1,920,129,292
Total	16,027,674,068

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

EUR	
Dividends paid to shareholders, EUR 0.64 per share	2,584,494,736
To be carried forward to	
– share premium reserve	1,079,925,521
– retained earnings	9,600,968,983
– other free funds	2,762,284,828
Total	16,027,674,068

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.



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Income statement, Group

EURm	Note	2015	2014 ¹
Operating income			
Interest income		8,549	9,995
Interest expense		-3,439	-4,513
Net interest income	G3	5,110	5,482
Fee and commission income		4,035	3,799
Fee and commission expense		-1,010	-957
Net fee and commission income	G4	3,025	2,842
Net result from items at fair value	G5	1,703	1,425
Profit from associated undertakings accounted for under the equity method	G18	39	18
Other operating income	G6	263	474
Total operating income		10,140	10,241
Operating expenses			
General administrative expenses:			
Staff costs	G7	-3,263	-3,159
Other expenses	G8	-1,485	-1,656
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	-209	-585
Total operating expenses		-4,957	-5,400
Profit before loan losses		5,183	4,841
Net loan losses	G10	-479	-534
Operating profit		4,704	4,307
Income tax expense	G11	-1,042	-950
Net profit for the year from continuing operations		3,662	3,357
Net profit for the year from discontinued operations, after tax	G41	–	-25
Net profit for the year		3,662	3,332
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,662	3,332
Non-controlling interests		–	–
Total		3,662	3,332
Basic earnings per share, EUR – Total operations	G12	0.91	0.83
Diluted earnings per share, EUR – Total operations	G12	0.91	0.83
Basic earnings per share, EUR – Continuing operations	G12	0.91	0.84
Diluted earnings per share, EUR – Continuing operations	G12	0.91	0.84

1) During 2015 the scope of discontinued operations has changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations which affected 2014.

Statement of comprehensive income, Group

EURm	2015	2014
Net profit for the year	3,662	3,332
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	-544	-1,039
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	308	435
Tax on valuation gains/losses during the year	-68	-96
Available for sale investments ¹		
Valuation gains/losses during the year	-94	41
Tax on valuation gains/losses during the year	23	-8
Transferred to the income statement during the year	-66	-1
Tax on transfers to the income statement during the year	14	0
Cash flow hedges:		
Valuation gains/losses during the year	611	480
Tax on valuation gains/losses during the year	-145	-105
Transferred to the income statement during the year	-527	-449
Tax on transfers to the income statement during the year	126	98
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	483	-518
Tax on remeasurement of defined benefit plans during the year	-108	120
Other comprehensive income, net of tax²	13	-1,042
Total comprehensive income	3,675	2,290
Attributable to:		
Shareholders of Nordea Bank AB (publ)	3,675	2,290
Non-controlling interests	–	–
Total	3,675	2,290

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.
 2) For 2014 EUR -12m is related to discontinued operations.

Balance sheet, Group

EURm	Note	31 Dec 2015	31 Dec 2014
Assets			
Cash and balances with central banks		35,500	31,067
Loans to central banks	G13	13,224	6,958
Loans to credit institutions	G13	10,959	12,217
Loans to the public	G13	340,920	348,085
Interest-bearing securities	G14	88,176	87,110
Financial instruments pledged as collateral	G15	8,341	12,151
Shares	G16	40,745	39,749
Derivatives	G17	80,741	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk		151	256
Investments in associated undertakings	G18	515	487
Intangible assets	G19	3,208	2,908
Properties and equipment		557	509
Investment properties	G21	3,165	3,227
Deferred tax assets	G11	76	130
Current tax assets		87	132
Retirement benefit assets	G31	377	42
Other assets	G22	18,600	17,581
Prepaid expenses and accrued income	G23	1,526	1,614
Total assets		646,868	669,342
Liabilities			
Deposits by credit institutions	G24	44,209	56,322
Deposits and borrowings from the public	G25	193,342	197,254
Liabilities to policyholders	G26	55,491	51,843
Debt securities in issue	G27	201,937	194,274
Derivatives	G17	79,505	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,594	3,418
Current tax liabilities		225	368
Other liabilities	G28	25,756	26,973
Accrued expenses and prepaid income	G29	1,805	1,943
Deferred tax liabilities	G11	1,028	983
Provisions	G30	415	305
Retirement benefit liabilities	G31	329	540
Subordinated liabilities	G32	9,200	7,942
Total liabilities		615,836	639,505
Equity			
Non-controlling interests		1	2
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		-1,188	-1,201
Retained earnings		27,089	25,906
Total equity		31,032	29,837
Total liabilities and equity		646,868	669,342
Assets pledged as security for own liabilities	G33	184,795	163,041
Other assets pledged	G34	9,038	11,265
Contingent liabilities	G35	22,569	22,017
Commitments	G36	74,663	75,935

Statement of changes in equity, Group

EURm	Attributable to shareholders of Nordea Bank AB (publ) ²										
	Share capital ¹	Share premium reserve	Translation of foreign operations	Cash flow hedges	Other reserves:			Retained earnings	Total	Non-controlling interests	Total equity
					Available for sale investments	Defined benefit plans					
Balance at 1 Jan 2015	4,050	1,080	-1,313	6	113	-7	25,906	29,835	2	29,837	
Net profit for the year	–	–	–	–	–	–	3,662	3,662	–	3,662	
<i>Items that may be reclassified subsequently to the income statement</i>											
Currency translation differences during the year	–	–	-544	–	–	–	–	-544	–	-544	
Hedging of net investments in foreign operations:											
Valuation gains/losses during the year	–	–	308	–	–	–	–	308	–	308	
Tax on valuation gains/losses during the year	–	–	-68	–	–	–	–	-68	–	-68	
Available for sale investments:											
Valuation gains/losses during the year	–	–	–	–	-94	–	–	-94	–	-94	
Tax on valuation gains/losses during the year	–	–	–	–	23	–	–	23	–	23	
Transferred to the income statement during the year	–	–	–	–	-66	–	–	-66	–	-66	
Tax on transfers to the income statement during the year	–	–	–	–	14	–	–	14	–	14	
Cash flow hedges:											
Valuation gains/losses during the year	–	–	–	611	–	–	–	611	–	611	
Tax on valuation gains/losses during the year	–	–	–	-145	–	–	–	-145	–	-145	
Transferred to the income statement during the year	–	–	–	-527	–	–	–	-527	–	-527	
Tax on transfers to the income statement during the year	–	–	–	126	–	–	–	126	–	126	
<i>Items that may not be reclassified subsequently to the income statement</i>											
Define benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	483	–	483	–	483	
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	-108	–	-108	–	-108	
Other comprehensive income, net of tax	–	–	-304	65	-123	375	–	13	–	13	
Total comprehensive income	–	–	-304	65	-123	375	3,662	3,675	–	3,675	
Share-based payments	–	–	–	–	–	–	2	2	–	2	
Dividend for 2014	–	–	–	–	–	–	-2,501	-2,501	–	-2,501	
Disposal of own shares ³	–	–	–	–	–	–	20	20	–	20	
Change in non-controlling interests	–	–	–	–	–	–	–	–	-1	-1	
Balance at 31 Dec 2015	4,050	1,080	-1,617	71	-10	368	27,089	31,031	1	31,032	

1) Total shares registered were 4,050 million.

2) Restricted equity was at 31 December 2015 EUR 4,318m, of which share capital was EUR 4,050m and equity method reserve was EUR 268m. Equity method reserve is recognised in retained earnings. Unrestricted equity was at 31 December 2015 EUR 26,713m.

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 18.6 million. The total holdings of own shares related to LTIP is 11.7 million.

EURm	Attributable to shareholders of Nordea Bank AB (publ) ²										
	Share capital ¹	Share premium reserve	Translation of foreign operations	Cash flow hedges	Other reserves:			Retained earnings	Total	Non-controlling interests	Total equity
					Available for sale investments	Defined benefit plans					
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	
<i>Items that may be reclassified subsequently to the income statement</i>											
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	
<i>Items that may not be reclassified subsequently to the income statement</i>											
Defined 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 equity was at 31 December 2014 EUR 4,296m, of which share capital was EUR 4,050m and equity method reserve was EUR 246m. Equity method reserve is recognised in retained earnings. Unrestricted equity was at 31 December 2014 EUR 25,539m.

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.

Dividends per share

See Statement of changes in equity for the parent company, page 168.

Cash flow statement, Group

– Total operations

EURm	2015	2014
Operating activities		
Operating profit	4,704	4,307
Profit for the year from discontinued operations, after tax	–	–25
Adjustment for items not included in cash flow	2,824	8,140
Income taxes paid	–1,056	–966
Cash flow from operating activities before changes in operating assets and liabilities	6,472	11,456
Changes in operating assets		
Change in loans to central banks	–10,002	1,853
Change in loans to credit institutions	1,171	–1,050
Change in loans to the public	5,173	–17,359
Change in interest-bearing securities	–831	–3,785
Change in financial assets pledged as collateral	3,812	–2,609
Change in shares	–937	–7,196
Change in derivatives, net	4,453	155
Change in investment properties	38	169
Change in other assets	–1,402	–6,843
Changes in operating liabilities		
Change in deposits by credit institutions	–13,495	–4,398
Change in deposits and borrowings from the public	–4,272	568
Change in liabilities to policyholders	2,361	–765
Change in debt securities in issue	4,374	13,040
Change in other liabilities	3,281	5,940
Cash flow from operating activities	196	–10,824
Investing activities		
Sale of business operations	175	481
Acquisition of associated undertakings	0	–8
Sale of associated undertakings	10	480
Acquisition of property and equipment	–162	–197
Sale of property and equipment	27	14
Acquisition of intangible assets	–467	–343
Sale of intangible assets	9	–
Net divestments in debt securities, held to maturity	–139	2,822
Purchase/sale of other financial fixed assets	25	5
Cash flow from investing activities	–522	3,254
Financing activities		
Issued subordinated liabilities	2,159	1,106
Amortised subordinated liabilities	–1,424	–468
Divestment/repurchase of own shares including change in trading portfolio	20	56
Dividend paid	–2,501	–1,734
Cash flow from financing activities	–1,746	–1,040
Cash flow for the year	–2,072	–8,610
Cash and cash equivalents at the beginning of year	39,683	45,670
Translation difference	2,589	2,623
Cash and cash equivalents at the end of year	40,200	39,683
Change	–2,072	–8,610

Comments on the cash flow statement

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	2015	2014
Depreciation	189	237
Impairment charges	20	350
Loan losses	543	620
Unrealised gains/losses	1,401	-457
Capital gains/losses (net)	-197	-391
Change in accruals and provisions	143	-788
Translation differences	811	1,070
Change in bonus potential to policyholders, Life	236	918
Change in technical reserves, Life	1,053	3,839
Change in fair value of hedged items, assets/liabilities (net)	-753	1,749
Other	-622	993
Total	2,824	8,140

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	2015	2014
Interest payments received	8,810	10,319
Interest expenses paid	-3,473	-4,698

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 2015	31 Dec 2014
Cash and balances with central banks	35,500	31,067
Loans to central banks, payable on demand	2,684	6,454
Loans to credit institutions, payable on demand	2,016	2,162
Total	40,200	39,683

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. In 2014 the discontinued operations consisted of Nordea's Polish operations, for more information see Note G1 and Note G41. The cash flows related to the discontinued operations, excluding the cash flows at the closing of the transaction, consisted of net cash flows from operating activities of EUR -379m, net cash flow from investing activities of EUR -14m and net cash flows from financing activities of EUR 1m. There are no cash flows from discontinued operations 2015.

Quarterly development, Group

EURm	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014 ¹	Q3 2014 ¹	Q2 2014 ¹	Q1 2014 ¹	2015	2014 ¹
Net interest income	1,241	1,272	1,309	1,288	1,356	1,396	1,368	1,362	5,110	5,482
Net fee and commission income	768	717	783	757	763	667	708	704	3,025	2,842
Net result from items at fair value	436	222	401	644	367	291	356	411	1,703	1,425
Profit from associated undertakings accounted for under the equity method	3	18	8	10	-1	7	3	9	39	18
Other operating income	197	24	22	20	33	398	25	18	263	474
Total operating income	2,645	2,253	2,523	2,719	2,518	2,759	2,460	2,504	10,140	10,241
General administrative expenses:										
Staff costs	-956	-756	-772	-779	-760	-731	-910	-758	-3,263	-3,159
Other expenses	-455	-303	-363	-364	-418	-380	-428	-430	-1,485	-1,656
Depreciation, amortisation and impairment charges of tangible and intangible assets	-65	-49	-50	-45	-54	-410	-65	-56	-209	-585
Total operating expenses	-1,476	-1,108	-1,185	-1,188	-1,232	-1,521	-1,403	-1,244	-4,957	-5,400
Profit before loan losses	1,169	1,145	1,338	1,531	1,286	1,238	1,057	1,260	5,183	4,841
Net loan losses	-142	-112	-103	-122	-129	-112	-135	-158	-479	-534
Operating profit	1,027	1,033	1,235	1,409	1,157	1,126	922	1,102	4,704	4,307
Income tax expense	-179	-253	-283	-327	-280	-188	-216	-266	-1,042	-950
Net profit for the period from continuing operations	848	780	952	1,082	877	938	706	836	3,662	3,357
Net profit for the period from discontinued operations, after tax	-	-	-	-	-	0	-20	-5	-	-25
Net profit for the year	848	780	952	1,082	877	938	686	831	3,662	3,332
1) During 2015 the scope of discontinued operations has changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations which affected 2014.										
Diluted earnings per share (DEPS), EUR – Total operations	0.21	0.19	0.24	0.27	0.22	0.23	0.17	0.21	0.91	0.83
DEPS, rolling 12 months up to period end, EUR – Total operations	0.91	0.92	0.95	0.89	0.83	0.80	0.76	0.78	0.91	0.83

5 year overview, Group

Income statement

EURm	2015	2014 ²	2013	2012	2011 ¹
Net interest income	5,110	5,482	5,525	5,563	5,456
Net fee and commission income	3,025	2,842	2,642	2,468	2,395
Net result from items at fair value	1,703	1,425	1,539	1,774	1,517
Profit from associated undertakings accounted for under the equity method	39	18	79	93	42
Other operating income	263	474	106	100	91
Total operating income	10,140	10,241	9,891	9,998	9,501
General administrative expenses:					
Staff costs	-3,263	-3,159	-2,978	-2,989	-3,113
Other expenses	-1,485	-1,656	-1,835	-1,808	-1,914
Depreciation, amortisation and impairment charges of tangible and intangible assets	-209	-585	-227	-267	-192
Total operating expenses	-4,957	-5,400	-5,040	-5,064	-5,219
Profit before loan losses	5,183	4,841	4,851	4,934	4,282
Net loan losses	-479	-534	-735	-895	-735
Operating profit	4,704	4,307	4,116	4,039	3,547
Income tax expense	-1,042	-950	-1,009	-970	-913
Net profit for the year from continuing operations	3,662	3,357	3,107	3,069	2,634
Net profit for the year from discontinued operations, after tax	–	-25	9	57	–
Net profit for the year	3,662	3,332	3,116	3,126	2,634

Balance sheet

EURm	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Cash and balances with central banks	35,500	31,067	33,529	36,060	3,765
Loans to central banks and credit institutions	24,183	19,175	22,512	18,574	51,865
Loans to the public	340,920	348,085	342,451	346,251	337,203
Interest-bearing securities and pledged instruments	96,517	99,261	96,889	94,596	92,923
Derivatives	80,741	105,119	70,992	118,789	171,943
Other assets	69,007	66,635	55,166	53,908	43,432
Assets held for sale	–	–	8,895	–	–
Total assets	646,868	669,342	630,434	668,178	701,131
Deposits by credit institutions	44,209	56,322	59,090	55,426	55,316
Deposits and borrowings from the public	193,342	197,254	200,743	200,678	190,092
Liabilities to policyholders	55,491	51,843	47,226	45,320	40,715
Debt securities in issue	201,937	194,274	185,602	183,908	178,028
Derivatives	79,505	97,340	65,924	114,203	167,390
Subordinated liabilities	9,200	7,942	6,545	7,797	6,503
Other liabilities	32,152	34,530	31,897	32,841	37,442
Liabilities held for sale	–	–	4,198	–	–
Equity	31,032	29,837	29,209	28,005	25,645
Total liabilities and equity	646,868	669,342	630,434	668,178	701,131

1) The comparative figures for 2011 have not been restated in relation to discontinued operations (Nordea's Polish operations), see Note G41 for more information.

2) During 2015 the scope of discontinued operations has changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations which affected 2014.

Ratios and key figures, Group

	2015	2014 ⁶	2013	2012	2011 ²
Basic earnings per share, EUR – Total operations	0.91	0.83	0.77	0.78	0.65
Diluted earnings per share, EUR – Total operations	0.91	0.83	0.77	0.78	0.65
Share price ¹ , EUR	10.15	9.68	9.78	7.24	5.98
Total shareholders' return, %	8.2	9.2	44.6	21.0	-24.4
Proposed/actual dividend per share, EUR	0.64	0.62	0.43	0.34	0.26
Equity per share ¹ , EUR	7.69	7.40	7.27	6.96	6.47
Potential shares outstanding ¹ , million	4,050	4,050	4,050	4,050	4,047
Weighted average number of diluted shares, million	4,031	4,031	4,020	4,026	4,028
Return on equity, % – Continuing operations	12.2	11.4	11.0	11.6	10.6
Return on assets, % – Total operations	0.57	0.50	0.49	0.47	0.38
Assets under management ¹ , EURbn	288.2	262.2	232.1	218.3	187.4
Cost/income ratio ⁵ , % – Continuing operations	47	49	51	51	55
Loan loss ratio, basis points	14	15	21	26	23
Common Equity Tier 1 capital ratio excluding Basel I floor ^{1,3} , %	16.5	15.7	14.9	13.1	11.2
Tier 1 capital ratio, excluding Basel I floor ^{1,3} , %	18.5	17.6	15.7	14.3	12.2
Total capital ratio, excluding Basel I floor ^{1,3} , %	21.6	20.6	18.1	16.2	13.4
Common equity tier 1 capital ^{1,3} , EURm	23,575	22,821	23,112	21,961	20,677
Tier 1 capital ^{1,3} , EURm	26,516	25,588	24,444	23,953	22,641
Risk exposure amount, excluding Basel I floor ^{1,4} , EURbn	143	146	155	168	185
Number of employees (full-time equivalents) ¹ – Continuing operations	29,815	29,643	29,429	29,491	33,068
Risk-adjusted profit ^{4,5} , EURm – Continuing operations	3,692	3,476	3,352	3,313	2,714
Economic profit ^{4,5} , EURm – Continuing operations	1,578	1,058	912	889	1,145
Economic capital ^{1,4} , EURbn – Total operations	25.0	24.3	24.4	23.8	17.7
Economic capital ^{1,4} , EURbn – Continuing operations	25.0	24.3	23.5	22.8	–
ROCAR ^{4,5} , % – Continuing operations	14.6	14.0	13.7	13.9	15.5
RAROCAR ^{4,5} , % – Continuing operations	14.9	14.4	13.7	13.9	15.5
MCEV, EURm	4,758	4,758	4,700	3,762	2,714

1) End of the year.

2) The comparative figures for 2011 have not been restated due to discontinued operations (Nordea's Polish operations), see Note G41 for more information.

3) 2013 ratios are reported under the Basel II regulation framework and 2014 and 2015 ratios are reported using the Basel III (CRR/CRDIV) framework.

4) Capital deductions and physical asset (PAS) are included in 2013, 2014 and 2015 ratios.

5) Excluding non-recurring items in 2015 and 2014.

6) During 2015 the scope of discontinued operations has changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations which affected 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 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% 2015). 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.

ROCAR, % (Return on capital at risk) is defined as Net profit in percentage of Economic Capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic capital.

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 – 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.

Content for Note G1

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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), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have 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 4 February 2016 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 17 March 2016.

2. Changed accounting policies

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report. The new accounting requirements implemented during 2015 and their effects on Nordea's financial statements are described below.

The following new and amended standards and interpretations were implemented 1 January 2015 but have not had any significant impact on the financial statements of Nordea:

- Amendments to IAS 19: "Defined Benefit Plans: Employee Contributions"
- "Annual Improvements to IFRSs, 2010–2012 Cycle"
- "Annual Improvements to IFRSs, 2011–2013 Cycle"
- IFRIC 21 "Levies"

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups – January 2015". These changes were implemented by Nordea 1 January 2015 but have not had any significant impact on Nordea's financial statements.

3. Changes in IFRSs not yet applied**IFRS 9 "Financial instruments"**

IASB has 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 covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted, but IFRS 9 is not yet endorsed by the EU-commission. 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 statement or balance sheet as the mixed measurement model will be maintained, and as there will still be a measurement category similar to the current Available For Sale (AFS) category in IAS 39. 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.

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. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as guarantees and loan commitments, to be included in the impairment test. Currently Nordea does not calculate collective provisions for off balance sheet exposures or the AFS portfolio.

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant deterioration in credit risk, stage 2 includes assets where there has been a significant deterioration and stage

3 includes assets that have been individually assessed to be impaired. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the trigger event for moving items from stage 1 to stage 2 under IFRS 9. Currently Nordea does not, in addition, hold any provisions for assets where there has been no deterioration in credit risk.

For assets where there has been a significant deterioration in credit risk, Nordea currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 will require provisions equal to the lifetime expected loss. This means total provisions will increase when IFRS 9 is implemented.

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 of the implementation of IFRS 9.

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 2018, with earlier application permitted. The EU-commission is expected to endorse the standard during the second quarter 2016. 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 Acquisitions of Interests 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 1 January 2016. Earlier application is permitted. The amendments are endorsed by the EU-commission. 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 IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. 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.

Amendments to IAS 1 "Disclosure initiative"

The IASB has amended IAS 1 as a result of the IASB's disclosure initiative. The amendments in IAS 1 regards materiality, disaggregation and subtotals, note structure, disclosures of accounting policies and presentation of items of OCI arising from equity accounted investments. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are endorsed by the EU-commission. Nordea does not 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.

IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. Nordea's current assessment is that the new standard will change the accounting of property leases which mainly affects Nordea's balance sheet.

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:

- Amendments to IFRS 10, IFRS 12 and IAS 28: "Investment Entities: Applying the Consolidation Exception"
- Amendments to IAS 16 and IAS 38: "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- "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
- 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 G39 "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 244,266m (EUR 271,194m) and EUR 156,354m (EUR 194,243m) 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 G39 "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 G19 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 2,170m (EUR 2,234m) 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 G19 "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 367,767m (EUR 370,009m) 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.

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 G31 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,271m (EUR 3,727m) 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 35,945m (EUR 35,103m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G26 "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 3,165m (EUR 3,227m) at the end of the year. See Note G21 "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 G20 "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

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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 instruments 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 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 76m (EUR 130m) 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 G30 "Provisions" and Note G35 "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 P20 "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.

Note G18 "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 G47 "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. The average exchange rates are calculated based on daily exchange rates divided by the number of banking days in the period. 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

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significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan, as well as other fees received as payments for certain acts, are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

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

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

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

Interest income and interest expense related to all balance sheet items 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 G39 “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”

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together with losses from financial guarantees. 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 G39 “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-bearing securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings are classified as “Impairment of securities held as financial non-current assets” in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 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 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 G42 “Transferred assets and obtained collaterals”.

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies (in addition to the functional currencies of the branches), 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 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)

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Accounting policies

- 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.

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 G39 "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 G39 "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 G38 "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 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-bearing securities classified into the category Held to maturity.

Available for sale

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

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

Financial assets classified into the category Available for sale are assessed 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 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”. From a presentation perspective the host contract is on the balance sheet presented as “Debt securities in issue” and the embedded derivative as “Derivatives”.

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 G38 “Classification of financial instruments”).

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

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

Impairment test of individually assessed loans

Nordea tests 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.

Impairment loss

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

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

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

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

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

Discount rate

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

Restructured loans

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

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (fair value option) (see section 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 acqui-

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sition of group undertakings is included in “Intangible assets”. Goodwill on acquisitions of associates is not recognised as a separate asset, but included in “Investments in associated undertakings”. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertakings. The policies covering impairment testing of associated undertakings is disclosed in section 6 “Recognition of operating income and impairment”.

IT-development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with 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 and IT-development not yet taken into use 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, including IT-development taken into use, 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 and IT-development not yet taken into use, 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 G19 “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 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 insurance” and/or “Change in collective bonus potentials, Life insurance”, 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 substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

Current tax assets and current tax liabilities are offset when the legal right to offset exists 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

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value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G31 “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 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 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, apart from loans granted to employees, see Note G7 "Staff costs".

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 P20 "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 G18 "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 G45 "Related-party transactions".

27. Exchange rates

	Jan-Dec 2015	Jan-Dec 2014
EUR 1 = SEK		
Income statement (average)	9.3537	9.1012
Balance sheet (at end of year)	9.1895	9.3930
EUR 1 = DKK		
Income statement (average)	7.4587	7.4548
Balance sheet (at end of year)	7.4626	7.4453
EUR 1 = NOK		
Income statement (average)	8.9434	8.3597
Balance sheet (at end of year)	9.6030	9.0420
EUR 1 = PLN		
Income statement (average)	4.1826	4.1859
Balance sheet (at end of year)	4.2639	4.2732
EUR 1 = RUB		
Income statement (average)	67.9657	50.9996
Balance sheet (at end of year)	80.6736	72.3370

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 2014.

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 & ALM.

Income statement 2015, EURm	Retail Banking	Wholesale Banking	Wealth Management	Group Corporate Centre	Other Operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	3,526	1,034	123	390	9	5,082	28	5,110
Net fee and commission income	1,622	565	1,439	-15	-1	3,610	-585	3,025
Net result from items at fair value	446	825	352	86	0	1,709	-6	1,703
Profit from associated undertakings accounted for under the equity method	12	0	0	0	27	39	0	39
Other income	33	3	14	17	177	244	19	263
Total operating income	5,639	2,427	1,928	478	212	10,684	-544	10,140
- of which internal transactions ¹	-1,263	-308	13	1,577	-19	0		
Staff costs	-1,432	-637	-514	-271	-5	-2,859	-404	-3,263
Other expenses	-1,254	-217	-277	7	-28	-1,769	284	-1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	-79	-19	-9	-46	-2	-155	-54	-209
Total operating expenses	-2,765	-873	-800	-310	-35	-4,783	-174	-4,957
Profit before loan losses	2,874	1,554	1,128	168	177	5,901	-718	5,183
Net loan losses	-318	-159	-1	0	0	-478	-1	-479
Operating profit	2,556	1,395	1,127	168	177	5,423	-719	4,704
Income tax expense	-617	-352	-248	-93	-39	-1,349	307	-1,042
Net profit for the year	1,939	1,043	879	75	138	4,074	-412	3,662

Balance sheet 31 Dec 2015, EURbn

Loans to the public ²	228	60	11	-	-	299	42	341
Deposits and borrowings from the public ²	110	45	13	-	-	168	25	193



Segment reporting, cont.

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	3,786	1,076	141	290	-29	5,264	218	5,482
Net fee and commission income	1,559	623	1,148	-14	0	3,316	-474	2,842
Net result from items at fair value	393	675	362	102	0	1,532	-107	1,425
Profit from associated undertakings accounted for under the equity method	10	0	-	0	3	13	5	18
Other income	26	3	15	20	0	64	410	474
Total operating income	5,774	2,377	1,666	398	-26	10,189	52	10,241
- of which internal transactions ¹	-1,480	-209	16	1,740	-67	0		
Staff costs	-1,451	-616	-488	-230	-7	-2,792	-367	-3,159
Other expenses	-1,394	-199	-285	-42	-1	-1,921	265	-1,656
Depreciation, amortisation and impairment charges of tangible and intangible assets	-102	-22	-10	-36	-	-170	-415	-585
Total operating expenses	-2,947	-837	-783	-308	-8	-4,883	-517	-5,400
Profit before loan losses	2,827	1,540	883	90	-34	5,306	-465	4,841
Net loan losses	-431	-93	-3	-	-	-527	-7	-534
Operating profit	2,396	1,447	880	90	-34	4,779	-472	4,307
Income tax expense	-609	-345	-194	-46	11	-1,183	233	-950
Net profit for the year	1,787	1,102	686	44	-23	3,596	-239	3,357

Balance sheet 31 Dec 2014, EURbn

Loans to the public ²	224	58	9	-	-	291	57	348
Deposits and borrowings from the public ²	108	39	11	-	-	158	39	197

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

Income statement, EURm	Retail Banking Nordic ¹		Retail Banking Baltic ²		Retail Banking Other ³		Total Retail Banking	
	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	3,461	3,719	148	143	-83	-76	3,526	3,786
Net fee and commission income	1,654	1,561	30	25	-62	-27	1,622	1,559
Net result from items at fair value	429	393	14	3	3	-3	446	393
Profit from associated undertakings accounted for under the equity method	7	6	0	0	5	4	12	10
Other income	11	1	2	3	20	22	33	26
Total operating income	5,562	5,680	194	174	-117	-80	5,639	5,774
- of which internal transactions	-1,111	-1,283	-28	-41	-124	-156	-1,263	-1,480
Staff costs	-919	-942	-26	-25	-487	-484	-1,432	-1,451
Other expenses	-1,725	-1,856	-61	-61	532	523	-1,254	-1,394
Depreciation, amortisation and impairment charges of tangible and intangible assets	-43	-42	-1	-1	-35	-59	-79	-102
Total operating expenses	-2,687	-2,840	-88	-87	10	-20	-2,765	-2,947
Profit before loan losses	2,875	2,840	106	87	-107	-100	2,874	2,827
Net loan losses	-293	-356	-16	-63	-9	-12	-318	-431
Operating profit	2,582	2,484	90	24	-116	-112	2,556	2,396
Income tax expense	-621	-616	-21	-16	25	23	-617	-609
Net profit for the year	1,961	1,868	69	8	-91	-89	1,939	1,787

Balance sheet, EURbn

Loans to the public	220	216	8	8	-	-	228	224
Deposits and borrowings from the public	106	104	4	4	-	-	110	108

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.



Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking		Shipping, Offshore & Oil Services		Nordea Bank Russia		Capital Markets unallocated		Wholesale Banking Other ¹		Total Wholesale Banking	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	610	674	290	265	228	213	-5	-1	-89	-75	1,034	1,076
Net fee and commission income	511	562	61	68	12	14	-67	-62	48	41	565	623
Net result from items at fair value	307	260	40	33	13	-1	425	346	40	37	825	675
Other income	0	0	0	0	1	0	2	3	0	0	3	3
Total operating income	1,428	1,496	391	366	254	226	355	286	-1	3	2,427	2,377
– of which internal transactions	-136	-139	-67	-63	-82	-30	65	101	-88	-78	-308	-209
Staff costs	-38	-38	-19	-20	-46	-45	-471	-446	-63	-67	-637	-616
Other expenses	-377	-382	-38	-42	-21	-22	232	256	-13	-9	-217	-199
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	-9	-5	-7	-15	-3	-2	-19	-22
Total operating expenses	-415	-420	-57	-62	-76	-72	-246	-205	-79	-78	-873	-837
Profit before loan losses	1,013	1,076	334	304	178	154	109	81	-80	-75	1,554	1,540
Net loan losses	-144	-120	-5	38	-23	-11	0	0	13	0	-159	-93
Operating profit	869	956	329	342	155	143	109	81	-67	-75	1,395	1,447
Income tax expense	-228	-242	-75	-67	-41	-36	-26	-20	18	20	-352	-345
Net profit for the year	641	714	254	275	114	107	83	61	-49	-55	1,043	1,102

Balance sheet, EURbn

Loans to the public	40	39	13	12	7	7	–	–	–	–	60	58
Deposits and borrowings from the public	39	34	5	4	1	1	–	–	–	–	45	39

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		Asset Management		Life & Pensions unallocated		Wealth Management Other ¹		Total Wealth Management	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	122	140	1	1	0	0	0	0	123	141
Net fee and commission income	631	544	761	572	337	269	-290	-237	1,439	1,148
Net result from items at fair value	104	88	2	5	246	269	0	0	352	362
Other income	8	5	4	2	9	9	-7	-1	14	15
Total operating income	865	777	768	580	592	547	-297	-238	1,928	1,666
– of which internal transactions	13	12	0	0	0	0	0	4	13	16
Staff costs	-180	-171	-135	-120	-118	-122	-81	-75	-514	-488
Other expenses	-223	-227	-101	-101	-60	-61	107	104	-277	-285
Depreciation, amortisation and impairment	-4	-4	0	-1	-3	-3	-2	-2	-9	-10
Total operating expenses	-407	-402	-236	-222	-181	-186	24	27	-800	-783
Profit before loan losses	458	375	532	358	411	361	-273	-211	1,128	883
Net loan losses	-1	-3	0	0	0	0	0	0	-1	-3
Operating profit	457	372	532	358	411	361	-273	-211	1,127	880
Income tax expense	-101	-82	-117	-79	-90	-79	60	46	-248	-194
Net profit for the year	356	290	415	279	321	282	-213	-165	879	686

Balance sheet, EURbn

Loans to the public	11	9	–	–	–	–	–	–	11	9
Deposits and borrowings from the public	13	11	–	–	–	–	–	–	13	11

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



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	
	2015	2014	2015	2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Total Operating segments	10,684	10,189	5,423	4,779	299	291	168	158
Group functions ^{1,2}	5	14	-119	-77	–	–	–	–
Unallocated items ²	61	392	-192	-130	47	61	26	40
Eliminations	-4	-5	–	–	–	–	–	–
Differences in accounting policies ³	-606	-349	-408	-265	-5	-4	-1	-1
Total	10,140	10,241	4,704	4,307	341	348	193	197

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 2015. Total operating income EUR 176m (EUR 378m) and Operating profit EUR -87m (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

	2015	2014
Banking products	6,183	6,188
Capital Markets products	1,793	1,968
Savings products & Asset management	1,341	1,038
Life & Pensions	593	553
Other	230	494
Total	10,140	10,241

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists 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 invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio 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	
	2015	2014	31 Dec 2015	31 Dec 2014
Sweden	2,590	2,421	180	162
Finland	2,091	1,831	75	83
Norway	1,692	1,772	80	85
Denmark	2,792	3,183	250	277
Baltic countries	247	203	10	22
Russia	182	203	5	6
Other	546	628	47	34
Total	10,140	10,241	647	669

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.



Net interest income

EURm	2015	2014
Interest income		
Loans to credit institutions	18	52
Loans to the public	7,350	8,555
Interest-bearing securities	551	728
Other interest income	630	660
Interest income¹	8,549	9,995

1) Of which contingent leasing income amounts to EUR 94m (EUR 116m). 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	2015	2014
Interest expense		
Deposits by credit institutions	-90	-103
Deposits and borrowings from the public	-652	-1,145
Debt securities in issue	-3,175	-3,545
Subordinated liabilities	-362	-331
Other interest expenses ¹	840	611
Interest expense	-3,439	-4,513
Net interest income	5,110	5,482

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 6,551m (EUR 7,725m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR -3,213m (EUR -3,925m).

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

G4 Net fee and commission income

EURm	2015	2014
Asset management commissions	1,496	1,188
Life insurance	373	367
Brokerage, securities issues and corporate finance	274	281
Custody and issuers services	121	129
Deposits	31	39
Total savings and investments	2,295	2,004
Payments	408	406
Cards	523	529
Total payments and cards	931	935
Lending	505	541
Guarantees and documentary payments	182	181
Total lending related commissions	687	722
Other commission income	122	138
Fee and commission income	4,035	3,799
Savings and investments	-344	-363
Payments	-102	-85
Cards	-252	-253
State guarantee fees	-147	-132
Other commission expenses	-165	-124
Fee and commission expense	-1,010	-957
Net fee and commission income	3,025	2,842

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 507m (EUR 557m).

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 2,144m (EUR 1,837m). The corresponding amounts for fee expenses is EUR -74m (EUR -96m).

G5 Net result from items at fair value

EURm	2015	2014
Equity related instruments	271	431
Interest related instruments and foreign exchange gains/losses	1,135	323
Other financial instruments (including credit and commodities)	56	409
Investment properties	-4	-10
Life insurance ¹	245	272
Total	1,703	1,425

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

Break-down of life insurance, EURm	2015	2014
Equity related instruments	1,417	2,398
Interest related instruments and foreign exchange gains/losses	-148	2,232
Other financial instruments	-	0
Investment properties	150	255
Change in technical provisions	-1,053	-3,834
Change in collective bonus potential	-169	-871
Insurance risk income	213	212
Insurance risk expense	-165	-120
Total	245	272

Net result from categories of financial instruments ² , EURm	2015	2014
Available for sale assets, realised	66	1
Financial instruments designated at fair value through profit or loss	-31	184
Financial instruments held for trading ³	656	1,522
Financial instruments under fair value hedge accounting	-5	33
- of which net result on hedging instruments	-605	1,248
- of which net result on hedged items	600	-1,215
Financial assets measured at amortised cost ⁴	58	49
Financial liabilities measured at amortised cost	-30	-28
Foreign exchange gains/losses excluding currency hedges	751	-588
Other	-7	-20
Financial risk income, net Life insurance ¹	197	180
Insurance risk income, net Life insurance	48	92
Total	1,703	1,425

1) Premium income amounts to EUR 2,500m (EUR 2,270m).

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 11m).

4) Of which EUR 58m (EUR 49m) 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	2015	2014
Divestment of shares ¹	182	378
Income from real estate	3	9
Sale of tangible assets	13	12
Other	65	75
Total	263	474

1) Gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m in 2015. Gain from divestment of Nets Holding A/S amounts to EUR 378m in 2014.

G7

Staff costs

EURm	2015	2014
Salaries and remuneration (specification below) ¹	-2,490	-2,374
Pension costs (specification below)	-295	-289
Social security contributions	-434	-429
Other staff costs	-44	-67
Total²	-3,263	-3,159

Salaries and remuneration

To executives ³		
– Fixed compensation and benefits	-18	-16
– Performance-related compensation	-10	-12
– Allocation to profit-sharing	-1	0
Total	-29	-28
To other employees	-2,461	-2,346
Total	-2,490	-2,374

- 1) Of which allocation to profit-sharing 2015 EUR 84m (EUR 80m) consisting of a new allocation of EUR 84m (EUR 76m) and an adjustment related to prior years of EUR 0m (EUR 4m).
 2) Of which EUR 185m in salaries and EUR 20m in pension costs, including social security contributions, regards termination benefits in connection to the restructuring activities launched in the fourth 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 185 (182) individuals.

EURm	2015	2014
Pension costs¹		
Defined benefits plans (Note G31) ²	-76	-80
Defined contribution plans	-219	-209
Total	-295	-289

- 1) Pension cost for executives as defined in footnote 3 above, amounts to EUR 1m (EUR 5m) and pension obligations to EUR 23m (EUR 39m).
 2) Excluding social security contributions. Including social security contributions EUR 90m (EUR 99m).

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 17 March 2016.

Remuneration to the Board of Directors, CEO and Group Executive Management Board remuneration

The Annual General Meeting (AGM) 2015 decided to increase the remuneration to the Board of Directors (the Board). The remuneration was decided to be EUR 279,000 for the chairman, EUR 132,500 for the vice chairman and EUR 86,250 for other members. The annual remuneration for committee work was EUR 35,000 for the chairman of the committee and EUR 25,000 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 a pension commitment to one Board member previously employed by Nordea.

Salary and benefits

Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO 1 November 2015. The remuneration to the CEO consists of three components:

Remuneration to the Board of Directors¹

EUR	2015	2014
Chairman of the Board:		
Björn Wahlroos	296,377	273,160
Vice Chairman of the Board:		
Marie Ehrling	161,614	140,996
Other Board members²:		
Peter F Braunwaldern ³	–	22,435
Elisabeth Grieg ⁴	23,808	94,862
Svein Jacobsen ⁵	–	57,767
Tom Knutzen	116,224	97,502
Robin Lawther	107,183	72,426
Lars G Nordström	107,183	94,862
Sarah Russell	107,183	94,862
Silvija Seres ⁶	83,374	–
Kari Stadigh	116,224	101,035
Birger Steen ⁶	64,639	–
Total	1,183,809	1,049,907

- 1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in SEK quarterly in four equal instalments. For accounting purposes it is converted back into EUR, using the average exchange rate each year. In the accounting the exchange 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 2014.
 4) Resigned as member of the Board as from the AGM 2015.
 5) Resigned as member of the Board as from 31 July 2014.
 6) New member of the Board as from the AGM 2015.

Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The fixed annual salary as CEO was decided to be SEK 12,200,000 (EUR 1,304,295).

GEM EIP 2015 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2015 the outcome of the GEM EIP amounted to EUR 179,123.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2015 will be paid out in 2016, 30% will be deferred to 2019 and 30% to 2021.

The benefits for 2015 amounted to EUR 8,164 and include primarily car benefits.

The total earned remuneration for 2015, as CEO, based on the three components amounted to EUR 404,670.

For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The fixed salary, GEM EIP 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 2015.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO 1 November 2015. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The fixed annual salary as Group COO and Deputy CEO was decided to be DKK 8,000,000 (EUR 1,072,567).

GEM EIP 2015 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2015 the outcome of the GEM EIP amounted to EUR 165,175.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2015 will be paid out in 2016, 30% will be deferred to 2019 and 30% to 2021.



Staff costs, cont.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

EUR	Fixed salary ¹		GEM Executive Incentive Programme ²		Benefits ¹		Total remuneration	
	2015	2014	2015	2014	2015	2014	2015	2014
Chief Executive Officer (CEO):								
Christian Clausen ³	1,041,869	1,241,653	1,003,526	1,084,267	72,114	73,026	2,117,509	2,398,946
Casper von Koskull ⁴	217,383	–	179,123	–	8,164	–	404,670	–
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen ⁵	178,761	–	165,175	–	2,015	–	345,951	–
Group Executive Management (GEM):								
7 (6) individuals excluding CEO and Group COO and Deputy CEO ⁶	4,800,274	4,451,342	3,657,267	3,912,561	108,072	175,714	8,565,613	8,539,617
Former Chief Executive Officer (Former CEO):								
Christian Clausen ³	207,512	–	–	–	5,390	–	212,902	–
Total	6,445,799	5,692,995	5,005,091	4,996,828	195,755	248,740	11,646,645	10,938,563

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes also holiday pay and car allowance. The fixed salaries and benefits 2014 have been restated and holiday pay and car allowance is, if applicable, classified as fixed salary in the above table while they were classified as Benefits in the Annual Report 2014. Benefits are included at taxable values.
 2) 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). The outcome from GEM EIP 2015 has been expensed in full in 2015 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 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 fixed annual salary as CEO is, as communicated at the Annual General Meeting (AGM) 2015, SEK 11,646,020 (EUR 1,245,070). Remuneration as CEO is included for the period of appointment as CEO, for the period 1 January 2015 to 31 October 2015. Remuneration as Former CEO is included for the period 1 November 2015 to 31 December 2015.
 4) The fixed annual salary as CEO is SEK 12,200,000 (EUR 1,304,295). Remuneration as CEO is included for the period of appointment as CEO, for the period 1 November 2015 to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
 5) The fixed annual salary as Group COO and Deputy CEO is decided to be DKK 8,000,000 (EUR 1,072,567). Remuneration for the Group COO and Deputy CEO is included for the period of appointment as Group COO and Deputy CEO, for the period 1 November 2015 to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
 6) Remuneration to GEM members is included for the period they have been appointed. One new GEM member was appointed 1 May 2015 and two members were appointed 1 November 2015. Two members are reported individually, as CEO and Group COO and Deputy CEO, as from 1 November 2015.

Long Term Incentive Programmes (LTIP) 2010–2012

	Expense ¹ (EUR)		Number of outstanding shares ²			
	2015	2014	LTIP 2012	LTIP 2011	LTIP 2010	Total
Chief Executive Officer (CEO):						
Christian Clausen	51,172	398,081	–	–	–	–
Casper von Koskull	6,550	–	39,340	24,448	8,097	71,885
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):						
Torsten Hagen Jørgensen	6,076	–	36,495	21,876	6,363	64,734
Group Executive Management (GEM):						
7(6) individuals excluding CEO and Group COO and Deputy CEO	145,327	1,062,253	89,159	54,668	14,724	158,551
Former Chief Executive Officer (Former CEO):						
Christian Clausen	10,234	–	61,470	38,200	10,152	109,822
Total	219,359	1,460,334	226,464	139,192	39,336	404,992

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 2014 includes expense from LTIP 2011 and LTIP 2012. The expense 2015 includes expense from LTIP 2012 and LTIP 2012 was fully expensed in May 2015. The expense is calculated in accordance with IFRS 2 'Share-based Payment' and presented for the period appointed CEO, Group COO and Deputy CEO, GEM and Former CEO.

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 53 and below for more details. The numbers of outstanding shares are presented as of 31 December 2015. Shares in LTIP 2010, LTIP 2011 and LTIP 2012 are fully vested and consequently not conditional.

The benefits for 2015 amounted to EUR 2,015 and include primarily housing benefits.

The total earned remuneration for 2015, as Group COO and Deputy CEO, based on the three components amounted to EUR 345,951.

For more information on the LTIP programmes see the

separate section on remuneration in the Board of Directors' report and below.

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for the Group COO and Deputy CEO, for resolution by the Board.

G7

Staff costs, cont.

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 2015, 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, most GEM members took part of the previous LTIPs.

Pension*Chief Executive Officer (CEO)*

The CEO has a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total is 30% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed salary.

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.

One member has a defined benefit plan not based on a collective agreement. The defined benefit plan provides a retirement pension amounting to 50% of pensionable income for life from age 62, including national pension benefits. One member had a defined benefit plan which was closed by end of March 2015 and substituted by a defined benefit pension based on collective agreement, with a complementing defined contribution plan on top of the collective agreement. Four members have pensions in accordance with the Swedish collective agreement, two in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. Finally one member has a defined contribution plan not based on a collective agreement. 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

EUR	2015		2014	
	Pension expense ¹	Pension obligation ²	Pension expense ¹	Pension obligation ²
Board members³:				
Lars G Nordström	–	334,110	–	367,851
Chief Executive Officer (CEO):				
Christian Clausen ⁴	–2,159,170	–	760,804	15,341,148
Casper von Koskull ⁵	65,215	284,571	–	–
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen ⁶	53,677	–	–	–
Group Executive Management (GEM):				
7 (6) individuals excluding CEO and Group COO and Deputy CEO ⁷	1,837,118	8,741,323	2,122,898	8,585,591
Former Chairman of the Board and CEOs:				
Vesa Vainio ⁸	–	5,376,111	–339,377	5,773,806
Christian Clausen ⁴	62,254	–	–	–
Total	–140,906	14,736,115	2,544,325	30,068,396

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 1,366,811 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 pension agreement changed from a defined benefit plan to a defined contribution plan as from 1 April 2015. The pension obligation/pension risk was transferred to the CEO 1 April 2015 and the pension obligation for the Former CEO is hence accounted for as settled. The settlement led to a gain of EUR 2,611,144 which has had a decreasing impact on the pension expense. The pension agreement from 1 April 2015 is a defined contribution plan with a contribution amounting to 30% of fixed salary. The pension expense in 2015 is presented for the period appointed CEO, 1 January 2015 to 31 October 2015. The pension expense excluding the settlement was EUR 451,974 for the period as CEO. The pension expense as Former CEO and Senior Advisor is presented for the period 1 November 2015 to 31 December 2015.

5) The pension agreement is a defined contribution plan. The contribution is 30% of fixed salary, consisting of the collective agreement BTP1 and a complementary additional contribution. The pension expense as CEO is presented for the period appointed CEO, for the period 1 November 2015 to 31 December 2015. The pension obligation is in accordance with the collective pension agreement BTP2 and earned as a member of GEM. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.

6) The Group COO and Deputy CEO's pension agreement is a defined contribution plan and the contribution is 30% of fixed salary. The pension expense as Group COO and Deputy CEO is presented for the period appointed Group COO and Deputy CEO, 1 November 2015 to 31 December 2015. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.

7) 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.

8) The pension obligation for Vesa Vainio is mainly due to pension rights earned in, and funded by, banks forming Nordea. The decrease in the pension obligation is mainly due to pension payments in 2015.

G7

Staff costs, cont.

Notice period and severance pay

In accordance with their employment contracts CEO and one GEM member 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 Group COO and Deputy CEO and three GEM members have a notice period of 6 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. Two GEM members have a notice period of 6 months' and a severance pay equal to 18 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 18 months. One GEM member has a notice period of 4 months. The Former CEO is not entitled to any severance pay.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 26, amount to EUR 4m (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.

Long Term Incentive Programmes

	2015			2014		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Conditional rights LTIP 2012						
Outstanding at the beginning of the year	1,254,300	3,141,893	1,254,300	1,260,752	3,164,297	1,260,752
Granted ¹	66,029	165,168	66,029	54,976	137,708	54,976
Forfeited	-136,196	-395,678	-136,196	-61,428	-160,112	-61,428
Allotted	-903,505	-2,069,499	-903,505	-	-	-
Outstanding at end of year	280,628	841,884	280,628	1,254,300	3,141,893	1,254,300
- of which currently exercisable	-	-	-	-	-	-
Rights LTIP 2011						
Outstanding at the beginning of year	269,671	450,568	121,352	974,746	1,949,493	974,746
Granted ¹	14,513	24,248	6,531	42,030	84,060	42,030
Forfeited	-	-	-	-24,245	-375,231	-570,137
Allotted	-71,643	-119,698	-32,242	-722,860	-1,207,754	-325,287
Outstanding at end of year²	212,541	355,118	95,641	269,671	450,568	121,352
- of which currently exercisable	-	-	-	-	-	-
Rights LTIP 2010						
Outstanding at the beginning of year	132,584	140,078	59,664	179,929	190,096	80,971
Allotted	-45,629	-48,220	-20,545	-47,345	-50,018	-21,307
Outstanding at end of year²	86,955	91,858	39,119	132,584	140,078	59,664
- of which currently exercisable	-	-	-	-	-	-

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.

2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

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

G7

Staff costs, cont.

Long Term Incentive Programmes, cont.

	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, EUR	–	–	–	–	–	–
Grant date	13 May 2012	13 May 2012	13 May 2012	13 May 2011	13 May 2011	13 May 2011
Vesting period	36 months					
Contractual life	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 5.78 ¹	EUR 5.78 ¹	EUR 2.09 ¹	EUR 7.23 ¹	EUR 7.25 ¹	EUR 2.63 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.

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 than 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 2012/2011/2010 are not allotted in full due to deferral and retention requirements by Nordic FSAs.

	LTIP 2012	LTIP 2011
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.
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%.
EPS knock out, Performance Share I	–	Average reported EPS for 2011–2013 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.
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.
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.

Long Term Incentive Programmes, 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
Weighted average share price	EUR 6.70	EUR 8.39
Right life	3.0 years	3.0 years
Deduction of expected dividends	No	No
Risk free rate	Not applicable	Not applicable
Expected volatility	Not applicable	Not applicable

Expenses for equity-settled share-based payment programmes¹

EURm	LTIP 2012	LTIP 2011
Total expense during 2015	-2	-
Total expense during 2014	-14	-2

1) All amounts excluding social security contribution.

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 2015 is paid no earlier than autumn 2019. 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

As the exercise price (zero for LTIP 2012, LTIP 2011 and LTIP 2010) is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest.

The 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.

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 2015 is decided during spring 2016, and a reservation of EUR 47m excl. social costs is made 2015. 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).

EURm	Share linked deferrals	
	2015	2014
Opening balance	32	28
Reclassification ¹	12	-
Deferred/earned during the year	47	17
TSR indexation during the year	3	4
Payments during the year ²	-26	-17
Translation differences	-1	0
Closing balance	67	32

1) Relates to a reclassification from deferred amounts that are indexed with a fixed rate.

2) There have been no adjustments due to forfeitures.

G7

Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2015	2014	2015	2014	2015	2014
Full-time equivalents						
Denmark	8,288	8,255	4,486	4,328	3,802	3,927
Sweden	6,957	6,963	3,346	3,212	3,611	3,751
Finland	6,946	6,971	2,181	1,990	4,765	4,981
Norway	3,137	3,238	1,678	1,748	1,459	1,490
Poland	1,197	931	585	461	612	470
Russia	1,085	1,418	268	454	817	964
Estonia	480	486	114	104	366	382
Latvia	436	431	125	132	311	299
Luxembourg	393	373	243	245	150	128
Lithuania	360	351	123	110	237	241
United States	110	118	57	61	53	57
Singapore	86	85	39	29	47	56
United Kingdom	82	75	52	46	30	29
Germany	58	57	32	31	26	26
Switzerland	32	30	23	13	9	17
China	29	28	13	12	16	16
Brazil	5	4	4	3	1	1
Total average	29,681	29,814	13,369	12,979	16,312	16,835
Total number of employees (FTEs), end of period	29,815	29,643				

Gender distribution

In the parent company's Board of Directors 56% (50%) were men and 44% (50%) were women. In the Board of Directors of the Nordea Group companies, 73% (75%) were men and 27% (25%) were women. The corresponding numbers for Other executives were 69% (65%) men and 31% (35%) women. Internal Boards consist mainly of management in Nordea.

G8 Other expenses

EURm	2015	2014
Information technology	-485	-561
Marketing and representation	-84	-103
Postage, transportation, telephone and office expenses	-145	-178
Rents, premises and real estate	-373	-389
Other	-398	-425
Total	-1,485	-1,656

Auditors' fees – Total operations

EURm	2015	2014
PricewaterhouseCoopers		
Auditing assignments	-5	-
Audit-related services	0	-
Tax advisory services	-1	-
Other assignments	-1	-
Total	-7	-
KPMG		
Auditing assignments	-1	-5
Audit-related services	-1	-1
Tax advisory services	0	0
Other assignments	-1	-1
Total	-3	-7
E&Y		
Auditing assignments	0	-1
Audit-related services	0	0
Tax advisory services	0	0
Other assignments	-1	0
Total	-1	-1
Total Auditors' fees	-11	-8

G9 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2015	2014
Depreciation/amortisation		
Properties and equipment	-113	-125
Intangible assets	-76	-110
Total	-189	-235
Impairment charges		
Intangible assets	-20	-350
Total	-20	-350
Total	-209	-585

G10 Net loan losses

EURm	2015	2014
Loan losses divided by class		
Realised loan losses	-	-2
Allowances to cover realised loan losses	-	2
Reversals of previous provisions	1	23
Loans to credit institutions¹	1	23
Realised loan losses	-605	-633
Allowances to cover realised loan losses	448	450
Recoveries on previous realised loan losses	63	81
Provisions	-1,074	-998
Reversals of previous provisions	693	557
Loans to the public¹	-475	-543
Realised loan losses	-11	-3
Allowances to cover realised loan losses	11	3
Provisions	-104	-107
Reversals of previous provisions	99	93
Off-balance sheet items²	-5	-14
Net loan losses	-479	-534

1) See Note G13 "Loans and impairment".

2) Included in Note G30 "Provisions" as "Transfer risk" and "Guarantees/commitments".

G11

Taxes

Income tax expense

EURm	2015	2014
Current tax	-957	-884
Deferred tax	-85	-6
Bank tax in Finland ¹	-	-60
Total	-1,042	-950

1) The Finnish bank tax which was introduced in 2013 and ended in 2014 was 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 2014) as follows:

EURm	2015	2014
Profit before tax	4,704	4,307
Tax calculated at a tax rate of 22.0%	-1,035	-948
Effect of different tax rates in other countries	-34	-55
Income from associated undertakings	6	2
Tax-exempt income	72	131
Non-deductible expenses	-16	-25
Adjustments relating to prior years	-17	9
Utilization of non-capitalized tax losses carry-forwards from previous periods	-	1
Change of tax rate	27	3
Not creditable foreign taxes	-45	-8
Tax charge	-1,042	-890
Average effective tax rate	22%	21%

Deferred tax

EURm	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
Deferred tax related to:				
Tax losses carry-forward	86	283	-	-
Loans to the public	22	20	430	410
Derivatives	8	10	394	459
Intangible assets	6	0	45	44
Investment properties	0	0	142	150
Retirement benefit assets/obligations	44	156	84	60
Hedge of net investments in foreign operations	-	-	-	94
Liabilities/provisions	87	54	103	127
Other	17	7	24	39
Netting between deferred tax assets and liabilities	-194	-400	-194	-400
Total	76	130	1,028	983

EURm	2015	2014
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	44	44
Total	44	44

G12

Earnings per share

	Total operations		Continuing operations		Discontinued operations	
	2015	2014	2015	2014	2015	2014
Earnings:						
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3,662	3,332	3,662	3,357	–	–25
Number of shares (in millions):						
Number of shares outstanding at beginning of year	4,050	4,050	4,050	4,050	–	4,050
Average number of own shares	–21	–26	–21	–26	–	–26
Weighted average number of basic shares outstanding	4,029	4,024	4,029	4,024	–	4,024
Adjustment for diluted weighted average number of additional ordinary shares outstanding ¹	2	7	2	7	–	7
Weighted average number of diluted shares outstanding	4,031	4,031	4,031	4,031	–	4,031
Basic earnings per share, EUR	0.91	0.83	0.91	0.84	–	–0.01
Diluted earnings per share, EUR	0.91	0.83	0.91	0.84	–	–0.01

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 section 21.

G13

Loans and impairment

EURm	Central banks and credit institutions		The public ¹		Total	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	24,185	19,177	337,622	344,407	361,807	363,584
Impaired loans	–	–	5,960	6,425	5,960	6,425
– Performing	–	–	3,682	4,115	3,682	4,115
– Non-performing	–	–	2,278	2,310	2,278	2,310
Loans before allowances	24,185	19,177	343,582	350,832	367,767	370,009
Allowances for individually assessed impaired loans	–	–	–2,213	–2,329	–2,213	–2,329
– Performing	–	–	–1,289	–1,432	–1,289	–1,432
– Non-performing	–	–	–924	–897	–924	–897
Allowances for collectively assessed impaired loans	–2	–2	–449	–418	–451	–420
Allowances	–2	–2	–2,662	–2,747	–2,664	–2,749
Loans, carrying amount	24,183	19,175	340,920	348,085	365,103	367,260

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G20 Leasing.

G13

Loans and impairment, cont.

Movements of allowance accounts for impaired loans

EURm	Central banks and credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2015	0	-2	-2	-2,329	-418	-2,747	-2,329	-420	-2,749
Provisions	-	0	0	-818	-256	-1,074	-818	-256	-1,074
Reversals of previous provisions	-	1	1	476	217	693	476	218	694
Changes through the income statement	-	1	1	-342	-39	-381	-342	-38	-380
Allowances used to cover realised loan losses	-	-	-	448	-	448	448	-	448
Reclassification	-	-	-	4	-	4	4	-	4
Translation differences	-	-1	-1	6	8	14	6	7	13
Closing balance at 31 Dec 2015	0	-2	-2	-2,213	-449	-2,662	-2,213	-451	-2,664
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

Allowances and provisions¹

EURm	Central banks and credit institutions		The public		Total	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Allowances for items on the balance sheet	-2	-2	-2,662	-2,747	-2,664	-2,749
Provisions for off balance sheet items	-	-9	-65	-63	-65	-72
Total allowances and provisions	-2	-11	-2,727	-2,810	-2,729	-2,821

1) Included in Note G30 "Provisions" as "Transfer risk" and "Guarantees/commitments".

Key ratios¹

	31 Dec 2015	31 Dec 2014
Impairment rate, gross, basis points	162	174
Impairment rate, net, basis points	102	111
Total allowance rate, basis points	72	74
Allowances in relation to impaired loans, %	37	36
Total allowances in relation to impaired loans, %	45	43
Non-performing loans, not impaired, EURm	485	289

1) For definitions, see "Business definitions" on page 69.

G14
Interest-bearing securities

EURm	31 Dec 2015	31 Dec 2014
State and sovereigns	23,093	26,107
Municipalities and other public bodies	2,667	2,385
Mortgage institutions	27,785	28,742
Other credit institutions	27,804	23,730
Corporates	6,176	5,175
Corporates sub-investment grade	650	758
Other	1	213
Total	88,176	87,110

G16
Shares

EURm	31 Dec 2015	31 Dec 2014
Shares	15,302	15,505
Fund units, equity related	17,611	16,529
Fund units, interest related	7,840	7,745
Total	40,753	39,779
– of which Financial instruments pledged as collateral (Note G15)	8	30
Total	40,745	39,749

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 2015	31 Dec 2014
Interest-bearing securities	8,333	12,121
Shares	8	30
Total	8,341	12,151

For information on transferred assets and reverse repos, see Note G42.

G17

Derivatives and Hedge accounting

Derivatives held for trading

31 Dec 2015, EURm	Fair value		Total nom amount
	Positive	Negative	
Interest rate derivatives			
Interest rate swaps	46,918	42,076	4,517,572
FRAs	7	12	51,470
Futures and forwards	264	327	1,538,842
Options	10,731	9,392	431,777
Other	6	88	6,671
Total	57,926	51,895	6,546,332
Equity derivatives			
Equity swaps	294	332	6,825
Futures and forwards	8	15	985
Options	521	750	24,238
Total	823	1,097	32,048
Foreign exchange derivatives			
Currency and interest rate swaps	14,529	21,136	856,486
Currency forwards	1,708	1,219	113,622
Options	266	208	28,027
Other	1	1	79
Total	16,504	22,564	998,214
Credit derivatives			
Credit Default Swaps (CDS)	2,304	2,288	92,427
Total	2,304	2,288	92,427
Commodity derivatives	17	13	483
Other derivatives	20	30	3,370
Total derivatives held for trading	77,594	77,887	7,672,874

Derivatives used for hedge accounting

31 Dec 2015, EURm	Fair value		Total nom amount
	Positive	Negative	
Interest rate derivatives	1,677	712	81,603
Foreign exchange derivatives	1,470	906	25,613
Total derivatives used for hedge accounting	3,147	1,618	107,216
– of which cash flow hedges	968	849	12,664 ¹
– of which fair value hedges	1,891	708	86,503 ¹
– of which net investment hedges	288	61	12,962
Total derivatives	80,741	79,505	7,780,090

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 2015, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	688	4,434	2,773	2,038	712
Net cash outflows	688	4,434	2,773	2,038	712

G17
Derivatives and Hedge accounting, cont.
Derivatives held for trading

31 Dec 2014, EURm	Fair value		Total nom amount
	Positive	Negative	
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

31 Dec 2014, EURm	Fair value		Total nom amount
	Positive	Negative	
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

G18

Investments in associated undertakings

EURm	31 Dec 2015	31 Dec 2014
Acquisition value at beginning of year	488	641
Acquisitions during the year	0	8
Sales during the year	-2	-102
Share in earnings ¹	59	22
Dividend received	-18	-55
Reclassification	0	-8
Translation differences	-10	-18
Acquisition value at end of year	517	488
Accumulated impairment charges at beginning of year	-1	-11
Reversed impairment charges during the year	-	1
Reclassifications	-	8
Translation differences	-1	1
Accumulated impairment charges at end of year	-2	-1
Total	515	487

1) Share in earnings

EURm	2015	2014
Profit from companies accounted for under the equity method	39	18
Portfolio hedge, Eksportfinans ASA	3	-10
Associated undertakings in Life insurance, reported as Net result from items at fair value	17	14
Share in earnings	59	22

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2015	31 Dec 2014
Total assets	3 767	4,068
Net profit or loss from continuing operations	34	-141
Other comprehensive income	-	-
Total comprehensive income	34	-141

Nordea has issued contingent liabilities of EUR 226m (EUR 358m) on behalf of associated undertakings.

31 Dec 2015	Registration number	Domicile	Carrying amount 2015, EURm	Carrying amount 2014, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	180	164	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	200	194	49
Suomen Luotto-osuuskunta	0201646-0	Helsinki	3	3	27
LR Realkredit A/S	26045304	Copenhagen	6	10	39
Realia Holding Oy	2106796-8	Helsinki	20	20	25
Samajet Nymøllevvej 59-91	24247961	Ballerup	21	21	25
E-nettet Holding A/S	28308019	Copenhagen	2	2	20
Hovedbanens Forretningscenter K/S	16301671	Ballerup	17	16	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	3	30
Bankernas Kontantservice A/S	33077599	Copenhagen	6	5	20
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
NF Techfleet AB	556967-5423	Stockholm	2	1	20
NF Fleet Oy	2006935-5	Espoo	6	5	20
NF Fleet AB	556692-3271	Stockholm	4	3	20
Upplysningscentralen UC AB	556137-5113	Stockholm	4	2	26
Bankomat AB	556817-9716	Stockholm	6	5	20
Other			12	10	
Total			515	487	

G19
Intangible assets

EURm	31 Dec 2015	31 Dec 2014
Goodwill allocated to cash generating units¹		
Retail Banking Norway	745	787
Retail Banking Denmark	588	591
Retail Banking Sweden	225	221
Life & Pensions, Denmark	128	129
Life & Pensions, Norway	127	127
Life & Pensions, Poland	41	40
Banking Russia	139	154
Shipping, Offshore & Oil services	177	185
Total goodwill	2,170	2,234
Computer software	938	580
Other intangible assets	100	94
Total intangible assets	3,208	2,908
1) Excluding goodwill in associated undertakings.		
Movements in goodwill		
Acquisition value at beginning of year	2,235	2,422
Translation differences	-64	-187
Acquisition value at end of year	2,171	2,235
Accumulated impairment charges at beginning of year	-1	-1
Accumulated impairment charges at end of year	-1	-1
Total	2,170	2,234
Movements in computer software		
Acquisition value at beginning of year	1,415	1,184
Acquisitions during the year	429	279
Disposals during the year	-635	-10
Reclassifications	-	4
Translation differences	-9	-42
Acquisition value at end of year	1,200	1,415
Accumulated amortisation at beginning of year	-448	-380
Amortisation according to plan for the year	-49	-85
Accumulated amortisation on disposals during the year	266	10
Translation differences	2	7
Accumulated amortisation at end of year	-229	-448
Accumulated impairment charges at beginning of year	-387	-47
Accumulated impairment charges on disposals during the year	369	-
Impairment charges during the year	-20	-350
Translation differences	5	10
Accumulated impairment charges at end of year	-33	-387
Total	938	580

G19

Intangible assets, cont.

Impairment testing of goodwill

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. For Life & Pensions, the cash generating units for which goodwill is tested, are the operations in each country.

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 1.3% (2.0%) has been used for all cash generating units, except Retail Banking Norway and Life & Pensions, Norway where 1.8% (2.0%) has 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 2015 is 7.6% (7.5%), which equals a pre-tax rate of 10.0% (9.9%). For operations in Norway, the expected interest rate is higher and the discount rate used is 8.1% (7.5%). For Russia an additional risk premium of 400 (580) basis points has been applied.

The impairment tests conducted in 2015 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.

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, will not lead to an impairment loss.

G20
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 2015	31 Dec 2014
Gross investments	7,281	7,480
Less unearned finance income	-282	-356
Net investments in finance leases	6,999	7,124
Less unguaranteed residual values accruing to the benefit of the lessor	-21	-22
Present value of future minimum lease payments receivable	6,978	7,102
Accumulated allowance for uncollectible minimum lease payments receivable	8	8

As of 31 December 2015 the gross investment and the net investment by remaining maturity was distributed as follows:

EURm	31 Dec 2015	
	Gross Investment	Net Investment
2016	1,971	1,865
2017	1,769	1,696
2018	1,465	1,417
2019	963	935
2020	520	496
Later years	593	590
Total	7,281	6,999

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 2015
2016	13
2017	15
2018	11
2019	6
2020	3
Later years	1
Total	49

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 2015	31 Dec 2014
Leasing expenses during the year	-236	-236
– of which minimum lease payments	-231	-233
– of which contingent rents	-5	-3
Leasing income during the year regarding sublease payments	5	6

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

EURm	31 Dec 2015
2016	136
2017	107
2018	89
2019	63
2020	56
Later years	227
Total	678

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 13m.

G21 Investment properties

EURm	31 Dec 2015	31 Dec 2014
Carrying amount at beginning of year	3,227	3,524
Acquisitions during the year	226	172
Sales/disposables during the year	-205	-423
Fair value adjustments	28	50
Transfers/reclassifications during the year	-156	-35
Translation differences	45	-61
Carrying amount at end of year	3,165	3,227

Amounts recognised in the income statement¹

EURm	2015	2014
Fair value adjustments	28	50
Rental income	165	220
Direct operating expenses that generate rental income	-37	-43
Direct operating expenses that did not generate rental income	-10	-9
Total	146	218

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 G39.

G22 Other assets

EURm	31 Dec 2015	31 Dec 2014
Claims on securities settlement proceeds	1,596	3,339
Cash/margin receivables	14,697	11,176
Other	2,307	3,066
Total	18,600	17,581

G23 Prepaid expenses and accrued income

EURm	31 Dec 2015	31 Dec 2014
Accrued interest income	310	404
Other accrued income	558	487
Prepaid expenses	658	723
Total	1,526	1,614

G24 Deposits by credit institutions

EURm	31 Dec 2015	31 Dec 2014
Central banks	12,243	13,601
Banks	20,187	28,940
Other credit institutions	11,779	13,781
Total	44,209	56,322

G25 Deposits and borrowings from the public

EURm	31 Dec 2015	31 Dec 2014
Deposits ¹	179,630	168,682
Contracts where the return is based on separate assets	4,293	4,287
Repurchase agreements	9,419	24,285
Total	193,342	197,254

1) Deposits related to individual pension savings (IPS) are also included.

G26
Liabilities to policyholders

EURm	31 Dec 2015	31 Dec 2014
Traditional life insurance provisions	19,081	19,705
– of which guaranteed provisions	18,989	19,612
– of which non-guaranteed provisions	92	93
Collective bonus potential	3,984	3,732
Unit-linked insurance provisions	12,236	11,026
– of which guaranteed provisions	0	0
– of which non-guaranteed provisions	12,236	11,026
Insurance claims provision	395	387
Provisions, Health & personal accident	250	253
Total insurance contracts	35,946	35,103
Investment contracts	19,545	16,740
– of which guaranteed provisions	3,517	3,666
– of which non-guaranteed provisions	16,028	13,074
Total	55,491	51,843

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 2015, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & per- sonal accident	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	19,705	3,732	11,026	387	253	16,740	51,843
Gross premiums written	784	–	2,125	–	–	4,942	7,851
Transfers	–499	–	354	–	–	–684	–829
Addition of interest/investment return	421	–	225	–	–	580	1,226
Claims and benefits	–1,618	–	–1,041	12	–6	–1,890	–4,543
Expense loading including addition of expense bonus	–102	–	–90	–	–	–97	–289
Change in provisions/bonus potential	95	246	–333	–	4	–	12
Other	605	–	1	–	–	–35	571
Translation differences	–309	6	–31	–4	–2	–11	–352
Provisions/bonus potentials, end of year	19,082	3,984	12,236	395	249	19,545	55,491
Provision relating to bonus schemes/ discretionary participation feature:	95%					14%	

31 Dec 2014, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & per- sonal 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%	

G26

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 2015		31 Dec 2014	
	Effect on policyholders liabilities ¹	Effect on Nordeas Equity ²	Effect on policyholders liabilities ¹	Effect on Nordeas Equity ²
Sensitivities, EURm				
Mortality – increased living with 1 year	27.8	–21.4	68.3	–52.6
Mortality – decreased living with 1 year	–6.5	5.0	–1.2	0.9
Disability – 10% increase	13.8	–10.6	27.7	–21.3
Disability – 10% decrease	–9.2	7.1	–16.1	12.4
50 bp increase in interest rates	–816.6	0.3	–915.0	–7.6
50 bp decrease in interest rates	872.3	–0.5	1,001.7	4.7
12% decrease in all share prices	–1,478.9	–2.8	–1,684.3	–1.8
8% decrease in property value	–236.8	–1.5	–240.3	–0.7
8% loss on counterparts	–24.9	–0.2	–31.7	0.0

1) + (plus) indicates that policyholders liabilities increase.

2) – (minus) indicates that equity decrease.

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

31 Dec 2015, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	28,357	2,340	7,666	4,820	3,996	3,684	50,863
31 Dec 2014, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	24,194	2,236	7,854	5,391	3,966	3,830	47,471

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 G43.

G27

Debt securities in issue

EURm	31 Dec 2015	31 Dec 2014
Certificates of deposit	26,018	22,926
Commercial papers	23,243	30,133
Covered bonds	106,746	98,986
Other bonds	45,860	42,155
Other	70	74
Total	201,937	194,274

G28

Other liabilities

EURm	31 Dec 2015	31 Dec 2014
Liabilities on securities settlement proceeds	1,108	3,085
Sold, not held, securities	8,824	6,903
Accounts payable	179	174
Cash/margin payables	11,141	10,061
Other	4,504	6,750
Total	25,756	26,973

G29 Accrued expenses and prepaid income

EURm	31 Dec 2015	31 Dec 2014
Accrued interest	20	45
Other accrued expenses	1,464	1,589
Prepaid income	321	309
Total	1,805	1,943

G30 Provisions

EURm	31 Dec 2015	31 Dec 2014
Restructuring	333	167
Transfer risk	–	10
Guarantees/commitments	65	62
Tax	1	1
Other	16	65
Total	415	305

EURm	Restructuring	Transfer risk	Guarantees/ commitments	Tax	Other	Total
At beginning of year	167	10	62	1	65	305
New provisions made	249	0	104	1	2	356
Provisions utilised	–71	–	–11	–1	–3	–86
Reversals	–9	–10	–89	0	–46	–154
Reclassifications	–3	–	–	–	–2	–5
Translation differences	0	0	–1	0	0	–1
At end of year	333	–	65	1	16	415

New provisions for restructuring costs were recognised in the fourth quarter by EUR 238m, and cover termination benefits (EUR 191m) and redundant premises (EUR 47m). The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2016. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed guarantees and other commitments amounted to EUR 65m.

Provision for legal disputes amounts to EUR 1m (EUR 0m expected to be settled 2016) and other provisions to EUR 15m (EUR 6m expected to be settled 2016).

G31

Retirement benefit obligations

EURm	31 Dec 2015	31 Dec 2014
Defined benefit plans, net	48	-498
Total	48	-498

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 follow 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 follow 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 assumptions. 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
2015				
Discount rate ²	3.07%	2.89%	2.14%	2.67%
Salary increase	2.25%	2.75%	1.75%	2.25%
Inflation	1.25%	1.75%	1.25%	1.25%
Mortality	DUS06	GAP07/I73	Gompertz	FSA
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/I73	Gompertz	FSA

1) The assumptions disclosed for 2015 have an impact on the liability calculation by year-end 2015, while the assumptions disclosed for 2014 are used for calculating the pension expense in 2015.

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	-7.3%	-7.0%	-6.8%	-4.9%
Discount rate – Decrease 50bps	8.3%	7.8%	7.6%	5.3%
Salary increase – Increase 50bps	2.8%	2.5%	0.4%	5.3%
Salary increase – Decrease 50bps	-2.0%	-2.3%	-0.4%	-5.0%
Inflation – Increase 50bps	7.2%	6.5%	4.2%	–
Inflation – Decrease 50bps	-6.3%	-5.9%	-3.9%	–
Mortality – Increase 1 year	3.2%	3.3%	3.9%	4.8%
Mortality – Decrease 1 year	-3.2%	-3.2%	-3.8%	-4.7%

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 gives the possibility 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 2014 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.

G31
Retirement benefit obligations, cont.
Net retirement benefit liabilities/assets

EURm	Swe 2015	Nor 2015	Fin 2015	Den 2015	Total 2015	Total 2014
Obligations	1,421	843	907	100	3,271	3,727
Plan assets	1,554	644	992	129	3,319	3,229
Net liability(-)/asset(+)	133	-199	85	29	48	-498
– of which retirement benefit liabilities	123	199	5	2	329	540
– of which retirement benefit assets	256	–	90	31	377	42

Movements in the obligation

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,663	968	985	111	3,727
Current service cost	29	20	3	0	52
Interest cost	40	24	21	2	87
Pensions paid	-73	-29	-42	-5	-149
Past service cost and settlements	-18	16	1	–	-1
Remeasurement from changes in demographic assumptions	–	–	-31	–	-31
Remeasurement from changes in financial assumptions	-204	-63	-26	-5	-298
Remeasurement from experience adjustments	7	-23	-12	-3	-31
Translation differences	35	-55	8	0	-12
Change in provision for SWT/SSC ¹	-58	-15	–	–	-73
Closing balance	1,421	843	907	100	3,271
– of which relates to the active population	32%	43%	11%	–	28%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

2014, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,368	829	818	115	3,130
Current service cost	23	17	3	0	43
Interest cost	50	31	29	4	114
Pensions paid	-68	-32	-43	-9	-152
Past service cost and settlements	22	25	0	-15	32
Remeasurement from changes in demographic assumptions	–	–	–	1	1
Remeasurement from changes in financial assumptions	300	165	181	14	660
Remeasurement from experience adjustments	15	-9	-10	1	-3
Translation differences	-91	-81	7	0	-165
Change in provision for SWT/SSC ¹	44	23	–	–	67
Closing balance	1,663	968	985	111	3,727
– 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 15 (16) years in Sweden, 15 (15) years in Norway, 14 (14) years in Finland and 10 (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.

G31

Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,497	636	972	124	3,229
Interest income (calculated using the discount rate)	37	17	20	2	76
Pensions paid	–	–17	–42	–7	–66
Settlements	–16	–	2	–	–14
Contributions by employer	0	26	–1	6	31
Remeasurement (actual return less interest income)	2	22	33	2	59
Translation differences	34	–40	8	2	4
Closing balance	1,554	644	992	129	3,319

2014, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,412	650	927	128	3,117
Interest income (calculated using the discount rate)	52	26	32	5	115
Pensions paid	–	–17	–43	–7	–67
Settlements	–	8	–	–13	–5
Contributions by employer	0	5	7	2	14
Refund to employer	–	–	–21	–	–21
Remeasurement (actual return less interest income)	118	18	62	9	207
Translation differences	–85	–54	8	0	–131
Closing balance	1,497	636	972	124	3,229

Asset composition

The combined return on assets in 2015 was 4.2% (10.3%). The assets return was driven by positive return on equities and real estate with only limited contribution from bonds and credit investments. At the end of the year the equity exposure in Nordea's pension funds/foundations represented 27% (26%) of total assets.

Asset composition in funded schemes	Swe 2015	Nor 2015	Fin 2015	Den 2015	Total 2015	Total 2014
Bonds	70%	56%	55%	81%	63%	66%
– sovereign	35%	41%	38%	46%	38%	39%
– covered bonds	25%	11%	–	35%	15%	18%
– corporate bonds	10%	4%	17%	–	10%	9%
– with quoted market price in an active market	70%	56%	55%	81%	63%	66%
Equity	27%	27%	28%	17%	27%	26%
– domestic	6%	6%	8%	17%	7%	8%
– european	7%	9%	8%	–	8%	7%
– US	8%	7%	7%	–	7%	7%
– emerging	5%	5%	5%	–	5%	4%
– Nordea shares	1%	–	–	–	–	0%
– with quoted market price in an active market	27%	27%	28%	17%	27%	26%
Real estate ¹	–	12%	10%	–	6%	5%
– occupied by Nordea	–	–	3%	–	1%	1%
Cash and cash equivalents	3%	5%	7%	2%	4%	3%

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

The Group expects to contribute EUR 36m to its defined benefit plans in 2016.

G31

Retirement benefit obligations, cont.

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 90m (EUR 99m). 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

2015, EURm	Swe	Nor	Fin	Den	Total
Current service cost	29	20	3	0	52
Net interest	3	7	1	0	11
Past service cost and settlements ¹	-2	16	-1	-	13
SWT/SSC ²	8	6	-	-	14
Pension cost on defined benefit plans (expense+ income-)	38	49	3	0	90

1) The past service cost 2015 mainly regards termination benefits in connection to restructuring activities launched in the fourth quarter.

2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2014, EURm	Swe	Nor	Fin	Den	Total
Current service cost	23	17	3	0	43
Net interest	-2	5	-3	-1	-1
Past service cost and settlements ¹	22	18	0	-2	38
SWT/SSC ²	13	6	-	-	19
Pension cost on defined benefit plans (expense+ income-)	56	46	0	-3	99

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 2014, excluding past service cost and related SWT and SSC, the pension cost has increased in 2015 as a consequence of the change of actuarial assumptions at the end of 2014.

Recognised in other comprehensive income

2015, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	-	-	-31	-	-31
Remeasurement from changes in financial assumptions	-204	-63	-26	-5	-298
Remeasurement from experience adjustments	7	-23	-12	-3	-31
Remeasurement of plan assets (actual return less interest income)	-2	-22	-33	-2	-59
SWT/SSC ¹	-48	-16	-	-	-64
Pension cost on defined benefit plans (expense+/-income-)	-247	-124	-102	-10	-483

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2014, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	-	-	-	1	1
Remeasurement from changes in financial assumptions	300	165	181	14	660
Remeasurement from experience adjustments	15	-9	-10	1	-3
Remeasurement of plan assets (actual return less interest income)	-118	-18	-62	-9	-207
SWT/SSC ¹	48	19	-	-	67
Pension cost on defined benefit plans (expense+/-income-)	245	157	109	7	518

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G31 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 to 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 2015 is 2.4% 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 2015 amount to EUR 4m. Payments to the plan during 2015 covered 2,872 employees. The premium rate for 2016 will be 2.5% 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 2016 amounts to EUR 4m.

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 15m (EUR 30m) 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 2015 were EUR 0m (EUR 2m). Complete information concerning key management personnel is disclosed in Note G7.

G32 Subordinated liabilities

EURm	31 Dec 2015	31 Dec 2014
Dated subordinated debenture loans	5,940	4,434
Undated subordinated debenture loans	262	1,557
Hybrid capital loans	2,998	1,951
Total	9,200	7,942

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.

G33 Assets pledged as security for own liabilities

EURm	31 Dec 2015	31 Dec 2014
Assets pledged for own liabilities		
Securities etc ¹	17,628	19,571
Loans to the public	134,520	130,539
Other assets pledged	32,647	12,931
Total	184,795	163,041

The above pledges pertain to the following liabilities

Deposits by credit institutions	8,178	8,620
Deposits and borrowings from the public	6,711	8,618
Derivatives	13,773	10,667
Debt securities in issue	106,178	98,547
Other liabilities and commitments	22,267	19,971
Total	157,107	146,423

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 G42, 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.

G34 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 9,019m (EUR 11,247m)). 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.

G35 Contingent liabilities

EURm	31 Dec 2015	31 Dec 2014
Guarantees		
– Loan guarantees	5,865	4,811
– Other guarantees	14,791	15,027
Documentary credits	1,805	2,102
Other contingent liabilities	108	77
Total	22,569	22,017

In the normal business Nordea issues various forms of guarantees in favour of the Nordea'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 Nordea'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.

G36 Commitments

EURm	31 Dec 2015	31 Dec 2014
Unutilised overdraft facilities	37,961	38,234
Loan commitments	33,379	36,057
Future payment obligations	956	722
Other commitments	2,367	922
Total	74,663	75,935

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2015 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 2015. 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 G42.

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 2016, 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 134.

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. During 2015, Nordea issued one Additional Tier 1 instrument of EUR 0.9bn and two undated Additional Tier 1 loans were called after approval by the Swedish FSA. As of year-end, Nordea held EUR 2.8bn in undated subordinated instruments.

Tier 2 capital

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

Tier 2 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 2015, Nordea issued four Tier 2 instrument of in total EUR 1.3bn. As of year-end, Nordea held EUR 5.8bn in dated subordinated instruments and EUR 0.2bn in undated subordinated instruments.

The tables below shows the main features of outstanding Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.

G37
Capital adequacy, cont.
Table A2 Transitional own funds

	(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
Common Equity Tier 1 capital: instruments and reserves		
1 Capital instruments and the related share premium accounts	5,130	–
of which: Share capital	4,050	–
2 Retained earnings	21,589	–
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–64	–
5 Minority interests (amount allowed in consolidated CET1)	0	0
5a Independently reviewed interim profits net of any foreseeable charge or dividend	727	–
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	27,382	–
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	–258	–
8 Intangible assets (net of related tax liability) (negative amount)	–2,866	–
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	–71	–
12 Negative amounts resulting from the calculation of expected loss amounts	–297	0
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–12	–
15 Defined-benefit pension fund assets (negative amount)	–296	0
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–7	–
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	0	–
Of which: ... filter for unrealised loss 1	0	68
Of which: ... filter for unrealised gain 1	0	283
28 Total regulatory adjustments to Common equity Tier 1 (CET1)	–3,807	–
29 Common Equity Tier 1 (CET1) capital	23,575	–
Additional Tier 1 (AT1) capital: instruments		
30 Capital instruments and the related share premium accounts	2,241	–
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	729	0
36 Additional Tier 1 (AT1) capital before regulatory adjustments	2,970	–
Additional Tier 1 (AT1) capital: regulatory adjustments		
37 Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
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	–30	–
44 Additional Tier 1 (AT1) capital	2,941	–
45 Tier 1 capital (T1 = CET1 + AT1)	26,516	–
Tier 2 (T2) capital: instruments and provisions		
46 Capital instruments and the related share premium accounts	5,870	–
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	76	–
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	5,946	–

G37

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)	-61	–
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)	-1,501	–
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	-1,562	–
58	Tier 2 (T2) capital	4,384	–
59	Total capital (TC = T1 + T2)	30,900	–
60	Total risk weighted assets	143,294	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.5%	–
62	Tier 1 (as a percentage of risk exposure amount)	18.5%	–
63	Total capital (as a percentage of risk exposure amount)	21.6%	–
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)	5.9%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.4%	–
67	of which: systemic risk buffer requirement	3.0%	–
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)	12.0%	–
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)	189	–
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)	954	–
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)	103,717	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	622	–
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	1,379	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	–
84	Current cap on T2 instruments subject to phase out arrangements	668	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	–

G37
Capital adequacy, cont.
Minimum capital requirement and REA

EURm	31 Dec 2015		31 Dec 2014	
	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	9,358	116,978	9,522	119,029
- of which counterparty credit risk	761	9,510	843	10,535
IRB	8,297	103,717	8,451	105,637
- corporate	5,630	70,371	5,743	71,792
- advanced	4,497	56,211	4,048	50,600
- foundation	1,133	14,160	1,695	21,192
- institutions	682	8,526	766	9,572
- retail	1,802	22,520	1,755	21,940
- secured by immovable property collateral	1,016	12,702	897	11,219
- other retail	786	9,818	858	10,721
- other	183	2,300	187	2,333
Standardised	1,061	13,261	1,071	13,392
- central governments or central banks	40	504	57	717
- regional governments or local authorities	19	237	17	211
- public sector entities	3	32	2	20
- multilateral development banks	0	0	-	-
- international organisations	-	-	-	-
- institutions	23	282	27	338
- corporate	169	2,109	154	1,921
- retail	251	3,137	255	3,181
- secured by mortgages on immovable properties	231	2,887	222	2,777
- in default	9	119	12	155
- associated with particularly high risk	59	741	53	666
- covered bonds	-	-	-	-
- institutions and corporates with a short-term credit assessment	-	-	-	-
- collective investments undertakings (CIU)	-	-	-	-
- equity	209	2,617	195	2,442
- other items	48	596	77	964
Credit Value Adjustment Risk	140	1,751	185	2,308
Market risk	522	6,534	588	7,341
- trading book, Internal Approach	239	2,990	312	3,898
- trading book, Standardised Approach ¹	96	1,209	116	1,447
- banking book, Standardised Approach	187	2,335	160	1,996
Operational risk	1,363	17,031	1,347	16,842
Standardised	1,363	17,031	1,347	16,842
Additional risk exposure amount, Article 3 CRR	80	1,000	-	-
Sub total	11,463	143,294	11,642	145,520
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,283	78,533	5,995	74,938
Total	17,746	221,827	17,637	220,458

1) Market Risk – of which trading book, Standardised Approach restated for 2014.

Leverage ratio

	31 Dec 2015	31 Dec 2014
Tier 1 capital, transitional definition, EURm ¹	26,516	25,382
Leverage ratio exposure, EURm	576,317	590,759
Leverage ratio, percentage	4.6	4.3

1) Including profit for the period.

G37

Capital adequacy, cont.

Capital requirements for market risk

EURm	Trading book, IA		Trading book, SA		Banking book, SA		Total	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other ¹	1,193	96	966	77	–	–	2,159	173
Equity risk	353	28	220	17	–	–	573	45
Foreign exchange risk	209	17	–	–	2,335	187	2,544	204
Commodity risk	–	–	22	2	–	–	22	2
Settlement risk	–	–	1	0	–	–	1	0
Diversification effect	–644	–52	–	–	–	–	–644	–52
Stressed Value-at-Risk	1,046	84	–	–	–	–	1,046	84
Incremental Risk Measure	381	30	–	–	–	–	381	30
Comprehensive Risk Measure	452	36	–	–	–	–	452	36
Total	2,990	239	1,209	96	2,335	187	6,534	522

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.

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. 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 Nordea's entities. Such approval has to be applied and

authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR.

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
	<i>Regulatory treatment</i>	
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	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
	<i>Coupons / dividends</i>	
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 hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

Table A4 – Capital main features template – AT1

Additional Tier 1 instrument

1	Issuer	Nordea Bank AB (publ)							
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
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 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	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
<i>Regulatory treatment</i>									
4	Transitional CRR rules	Additional Tier 1							
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	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	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 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 153m	EUR 76m	EUR 912m	EUR 455m	EUR 243m	EUR 129m	EUR 502m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 153m	JPY 10,000m / EUR 76m	USD 1,000m / EUR 919m	USD 500m / EUR 459m	SEK 2,250m / EUR 245m	NOK 1,250m / EUR 130m	USD 550m / EUR 505m
9a	Issue price	100 per cent							
9b	Redemption price	100 per cent of Nominal amount							
10	Accounting classification	Liability – amortised cost							
11	Original date of issuance	17-Sep-2004	04-Mar-2005	12-Oct-2005	23-Sep-2014	23-Sep-2014	12-Mar-2015	12-Mar-2015	12-Mar-2015
12	Perpetual or dated	Perpetual							
13	Original maturity date	No maturity							
14	Issuer call subject to prior supervisory approval	Yes							
15	Optional call date, contingent call dates and redemption amount	17-Sep-2009 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-2035 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-2035 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2019 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2024 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	13-Sep-2021 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	12-Apr and 12-Oct 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	2-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	2-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date

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Capital adequacy, cont.

Additional Tier 1 instrument

Coupons/dividends

17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	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 USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 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	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	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	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Non-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	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	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	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	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	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 distributable 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	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	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 hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No
37	If yes, specify 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	N/A	N/A	N/A	N/A	N/A

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Capital adequacy, cont.

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)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993
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

Regulatory treatment

4	Transitional CRR rules	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
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
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 484.5	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 184m	EUR 76m	EUR 845m (84.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 747m	EUR 1,142m	EUR 749m
9	Nominal amount of instrument	USD 200m / EUR 184m	JPY 10,000m / EUR 76m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,148m	EUR 750m
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
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
10	Accounting classification	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-1986	22-Aug-2001	26-Mar-2010	29-Sep-2010	13-May-2011	15-Feb-2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26-Mar-2020	29-Mar-2021	13-May-2021	15-Feb-2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	18-Nov-1991 In addition tax call 100 per cent of nominal amount	26-Feb-2029 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-2017 In addition tax 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

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Capital adequacy, cont.

Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
US65557FAD87/ US65557HAD44	XS1292434146	XS1292433767	N/A	XS1317439559
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
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
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
EUR 911m	EUR 185m	EUR 250m	EUR 114m	EUR 743m
USD 1,000m / EUR 919m	SEK 1,700m / EUR 185m	SEK 2,300m / EUR 250m	JPY 15,000m / EUR 114m	EUR 750m
99,364 per cent	100 per cent	100 per cent	100 per cent	99,434 per cent
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
Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
21-Sep-2012	17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015
Dated	Dated	Dated	Dated	Dated
21-Sep-2022	17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025
Yes	Yes	Yes	Yes	Yes
Tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call 100 per cent of nominal amount
	N/A	17-Mar, 17-Jun, 17-Sep and 17-Dec each year after first call date	17-Sep each year after first call date	N/A 10-Nov each year after first call date

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Capital adequacy, cont.
Table A5 – Capital main features template – T2, cont
Tier 2 instruments
Coupons/dividends

17	Fixed or floating dividend / coupon	Floating	Fixed to floating	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
19	Existence of a dividend stopper	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
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	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
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	Yes	No	No	No	No
37	If yes, specify non-compliant features	N/A	Step-up	N/A	N/A	N/A	N/A

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Capital adequacy, cont.

Fixed	Floating	Fixed	Fixed	Fixed
4,250%	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1,160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum
No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
No	No	No	No	No
Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
No	No	No	No	No
N/A	N/A	N/A	N/A	N/A

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Capital adequacy, cont.

Specification of group undertakings 31 December 2015

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
<i>Nordea Bank Finland Plc</i>	<i>Ancillary service undertakings</i>			
Nordea Bank AB (publ)	Nordea Bank Norge ASA	100	Norway	Purchase method
Nordea Bank Norge ASA	Nordea Eiendoms kreditt AS	100	Norway	Purchase method
	Nordea Finans Norge AS	100	Norway	Purchase method
	Eksporfinans ASA	23	Norway	Purchase method
Nordea Finans Norge AS	NF Fleet AS	20	Norway	Equity method
<i>Nordea Bank Norge ASA</i>	<i>Ancillary service undertakings</i>			
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
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
<i>Nordea Bank Danmark A/S</i>	<i>Ancillary service undertakings</i>			

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Capital adequacy, cont.

Specification of group undertakings 31 December 2015, cont.

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
Nordea Bank AB (publ)	OOO Promyshlennaya Companiya Vestkon	100	Russia	Purchase method
OOO Promyshlennaya Companiya Vestkon/ Nordea Bank AB (publ)	Joint Stock Company Nordea Bank	100	Russia	Purchase method
Joint Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Purchase method
<i>Joint Stock Company Nordea Bank</i>	<i>Ancillary service undertakings</i>			
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
	NF Techfleet AB	20	Sweden	Equity method
<i>Nordea Bank AB (publ)</i>	<i>Ancillary service undertakings</i>			
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

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Classification of financial instruments

31 Dec 2015, EURm	Financial assets at fair value through profit or loss							Total
	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings	
Assets								
Cash and balances with central banks	35,500	–	–	–	–	–	–	35,500
Loans to central banks	8,095	–	5,129	–	–	–	–	13,224
Loans to credit institutions	7,449	–	3,489	21	–	–	–	10,959
Loans to the public	251,876	–	36,999	52,045	–	–	–	340,920
Interest-bearing securities	61	2,708	34,870	16,421	–	34,116	–	88,176
Financial instruments pledged as collateral	–	–	8,341	–	–	–	–	8,341
Shares	–	–	4,917	35,828	–	–	–	40,745
Derivatives	–	–	77,594	–	3,147	–	–	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk	151	–	–	–	–	–	–	151
Investments in associated undertakings	–	–	–	–	–	–	515	515
Intangible assets	–	–	–	–	–	–	3,208	3,208
Properties and equipment	–	–	–	–	–	–	557	557
Investment properties	–	–	–	–	–	–	3,165	3,165
Deferred tax assets	–	–	–	–	–	–	76	76
Current tax assets	–	–	–	–	–	–	87	87
Retirement benefit assets	–	–	–	–	–	–	377	377
Other assets	2,698	–	–	14,697	–	–	1,205	18,600
Prepaid expenses and accrued income	968	–	–	–	–	–	558	1,526
Total	306,798	2,708	171,339	119,012	3,147	34,116	9,748	646,868

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss						Total
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities		
Liabilities							
Deposits by credit institutions	17,534	1,086	–	25,589	–	44,209	
Deposits and borrowings from the public	10,465	8,520	–	174,357	–	193,342	
Liabilities to policyholders	–	19,545	–	–	35,946	55,491	
Debt securities in issue	6,885	46,229	–	148,823	–	201,937	
Derivatives	77,887	–	1,618	–	–	79,505	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,594	–	2,594	
Current tax liabilities	–	–	–	–	225	225	
Other liabilities	8,824	11,141	–	3,652	2,139	25,756	
Accrued expenses and prepaid income	–	–	–	341	1,464	1,805	
Deferred tax liabilities	–	–	–	–	1,028	1,028	
Provisions	–	–	–	–	415	415	
Retirement benefit liabilities	–	–	–	–	329	329	
Subordinated liabilities	–	–	–	9,200	–	9,200	
Total	121,595	86,521	1,618	364,556	41,546	615,836	

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Classification of financial instruments, cont.

31 Dec 2014, EURm	Financial assets at fair value through profit or loss							Total
	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings	
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					Non-financial liabilities	Total
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities			
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	

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Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2015	31 Dec 2014
Carrying amount	52,066	51,719
Maximum exposure to credit risk	52,066	51,719
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 46,229m (EUR 42,619m), the funding of the Markets operation, EUR 16,454m (EUR 17,337m) deposits linked to the investment return of separate assets, EUR 4,293m (EUR 4,287m) and investment contracts in Life, EUR 19,545m (EUR 16,741m). 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 assetlinked 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 100m (decreased EUR 6m) in 2015 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 691m (decrease EUR 592m). 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 51,713m (EUR 51,244m) and lending in the Markets operation, EUR 353m (EUR 475). The fair value of lending in Nordea Kredit Realkreditaktieselskab decreased by EUR 19m (increased EUR 7m) in 2015 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 171m (decrease EUR 153m). 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

	Carrying amount	Amount to be paid at maturity
2015, EURm		
Financial liabilities designated at fair value through profit or loss	86,521	85,776
2014, EURm		
Financial liabilities designated at fair value through profit or loss	80,984	79,198

Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

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Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2015		31 Dec 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	35,500	35,500	31,067	31,067
Loans	365,254	366,598	367,516	368,872
Interest-bearing securities	88,176	88,391	87,110	87,421
Financial instruments pledged as collateral	8,341	8,341	12,151	12,151
Shares	40,745	40,745	39,749	39,749
Derivatives	80,741	80,741	105,119	105,119
Other assets	17,395	17,395	15,766	15,766
Prepaid expenses and accrued income	968	968	1,127	1,127
Total	637,120	638,679	659,605	661,272
Financial liabilities				
Deposits and debt instruments	451,282	451,167	459,210	460,653
Liabilities to policyholders	19,545	19,545	16,741	16,741
Derivatives	79,505	79,505	97,340	97,340
Other liabilities	23,617	23,617	23,341	23,341
Accrued expenses and prepaid income	341	341	354	354
Total	574,290	574,175	596,986	598,429

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.

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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 2015, 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 sheet¹							
Loans to central banks	–	–	5,129	–	–	–	5,129
Loans to credit institutions	–	–	3,510	–	–	–	3,510
Loans to the public	–	–	89,044	–	–	–	89,044
Interest-bearing securities ²	49,979	12,986	43,511	6,044	250	45	93,740
Shares ³	33,158	26,757	2,717	2,414	4,878	4,212	40,753
Derivatives	211	–	78,875	32	1,655	–	80,741
Investment properties	–	–	–	–	3,165	3,085	3,165
Other assets	–	–	14,697	–	–	–	14,697
Total	83,348	39,743	237,483	8,490	9,948	7,342	330,779
Liabilities at fair value on the balance sheet¹							
Deposits by credit institutions	–	–	18,620	1,361	–	–	18,620
Deposits and borrowings from the public	–	–	18,985	–	–	–	18,985
Liabilities to policyholders	–	–	19,545	19,545	–	–	19,545
Debt securities in issue ⁴	46,229	–	6,885	–	–	–	53,114
Derivatives ⁴	242	–	77,739	153	1,524	–	79,505
Other liabilities	6,909	–	13,056	–	–	–	19,965
Total	53,380	–	154,830	21,059	1,524	–	209,734

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

2) Of which EUR 8,333m relates to the balance sheet item Financial instruments pledged as collateral.

3) Of which EUR 8m relates to the balance sheet item Financial instruments pledged as collateral.

4) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative as Derivatives. The total fair value of the structured bonds is EUR 6,825m, of which EUR 6,881m is categorised into Level 2 and a net positive fair value of EUR 56m into Level 3 in 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 sheet¹							
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 sheet¹							
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 ⁴	42,619	–	8,001	–	–	–	50,620
Derivatives ⁴	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.

4) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative on the balance sheet as Derivatives. The total fair value of the structured bonds is EUR 7,541m, of which EUR 7,185m is categorised into Level 2 and a net negative fair value of EUR –356m into Level 3 in the fair value hierarchy.

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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 based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, 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, investment properties, more complex OTC derivatives where unobservable input have a significant impact on the fair values, certain complex or structured financial instruments 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.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of the counterparty's credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not directly available, PDs and recovery rates are estimated using a cross sectional approach where the illiquid counterparties are mapped to comparable liquid CDS names.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In 2015 Nordea has developed its FFVA framework to incorporate an estimated funding curve which reflects the market cost of funding. Since FFVA is a newly developing market practice, Nordea is continuously monitoring the

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Assets and liabilities at fair value, cont.

market practices, and consequently reviewing and developing the methodology in use.

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 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 1,129m (EUR 149m) from Level 1 to Level 2 and EUR 295m (EUR 1,290m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transferred shares of EUR 22m (EUR 0m) from Level 1 to Level 2, derivative assets of EUR 96m (EUR 0m) and derivative liabilities of EUR 120m (EUR 0m) from Level 2 to Level 1 and other liabilities of EUR 4m (EUR 55m) from Level 2 to Level 1.

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 quoted prices are obtained in the market. Transfers have also occurred following the implementation of an improved and more granular classification approach. Transfers between levels are considered to have occurred at the end of the year.

Movements in Level 3

2015, EURm	1 Jan 2015	Fair value gains/ losses recognised in the income statement during the year		Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2015
		Realised	Unrealised								
Interest-bearing securities	279	1	8	–	75	–111	–1	–	–2	1	250
– of which Life	53	–	–3	–	–	–6	–	–	–	1	45
Shares	5,458	307	49	–	4,468	–5,021	–58	29	–333	–21	4,878
– of which Life	4,486	281	36	–	4,377	–4,897	–55	3	–	–19	4,212
Derivatives (net)	–160	37	–18	–	–1	–	–37	443	–133	0	131
Investment properties	3,227	–1	27	–	222	–263	–	–	–	–47	3,165
– of which Life	3,127	–	27	–	215	–237	–	–	–	–47	3,085

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During 2015 Nordea transferred shares of EUR 29m from Level 2 to Level 3 and EUR 333m from Level 3 to Level 2. Nordea also transferred derivatives (net) of EUR 443 from Level 2 to Level 3 and EUR 133 m from Level 3 to Level 2. 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 have also occurred following the implementation of an improved and more granular classification approach. 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.

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Assets and liabilities at fair value, cont.

Movements in Level 3, cont.

2014, EURm	1 Jan 2014	Fair value gains/ losses recognised in the income statement during the year		Recognised in OCI	Purchases/ Issues	Sales	Settle- ments	Transfers out of Level 3	Translation differences	31 Dec 2014
		Realised	Unrealised							
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 2014 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.

The valuation processes for fair value measurements in Level 3

Financial instruments

Nordea has an independent specialised valuation control unit, Group Valuation Control (GVC). GVC has the responsibility of setting the Nordea valuation framework as well as overseeing and independently assessing valuations of financial instruments held at fair value on Nordea’s balance sheet. GVC issues the Nordea Group Valuation Policy, which is approved by the Group Valuation Committee. The Group Valuation Committee governs valuation matters and also serves as escalation point for valuation issues. Further escalation of valuation issues is addressed by the Assets and Liabilities Committee, which reports to the Board of Directors.

The valuation control process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the trading organisation to set correct prices used for the valuation process, these prices are either internally marked prices set by trading or externally sourced prices. These valuation prices and valuation approaches are then controlled and tested by independent control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with valuation committees as decision bodies.

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

The 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 entity 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.

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Assets and liabilities at fair value, cont.

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

31 Dec 2015, EURm	Fair value	Of which Life ¹	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions ²	205	–	Discounted cash flows	Credit spread	–5/5
Corporates	45	45	Discounted cash flows	Credit spread	–3/3
Total	250	45			–8/8
Shares					
Private equity funds	1,965	1,781	Net asset value ³		–218/232
Hedge funds	474	298	Net asset value ³		–31/37
Credit Funds	423	237	Net asset value/market consensus ³		–23/28
Other funds	1,880	1,868	Net asset value/fund prices ³		–223/224
Other	136	28	–		–9/9
Total	4,878	4,212			–504/530
Derivatives					
Interest rate derivatives	180	–	Option model	Correlations Volatilities	–26/19
Equity derivatives	–24	–	Option model	Correlations Volatilities Dividend	–26/19
Foreign exchange derivatives	–35	–	Option model	Correlations Volatilities	+/-0
Credit derivatives	–18	–	Credit derivative model	Correlations Recovery rates	–8/6
Other	28	–	Option model	Correlations Volatilities	+/-0
Total	131	–			–60/44

1) Investment in financial instruments is a major part of the life insurance business, acquired 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.

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.

G39

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, acquired 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 95% compared to the values received from suppliers/custodians.

G39

Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2015, EURm	Fair value ¹	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input				
Denmark	1,688	1,679	Discounted cash flows	Market rent						
				Commercial	25–312 EUR/m ²	159 EUR/m ²				
				Office	34–324 EUR/m ²	110 EUR/m ²				
				Apartment	65–245 EUR/m ²	151 EUR/m ²				
				Yield requirement						
				Commercial	6.4% – 9.5%	7.5%				
				Office	4.3% – 9.5%	6.1%				
				Apartment	3.5% – 6.0%	3.9%				
				Norway	695	689	Discounted cash flows	Market rent		
								Commercial	82–234 EUR/m ²	170 EUR/m ²
Office	114–746 EUR/m ²	205 EUR/m ²								
Apartment	151–151 EUR/m ²	151 EUR/m ²								
Other	66–86 EUR/m ²	67 EUR/m ²								
Yield requirement										
Commercial	5.0% – 6.5%	5.5%								
Office	4.3% – 7.8%	5.5%								
Apartment	5.6% – 5.6%	5.6%								
Other	5.5% – 8.5%	7.9%								
Finland	564	563	Discounted cash flows ²	Market rent						
				Commercial	104–327 EUR/m ²	177 EUR/m ²				
				Office	125–306 EUR/m ²	187 EUR/m ²				
				Apartment	186–237 EUR/m ²	210 EUR/m ²				
				Other	89–127 EUR/m ²	97 EUR/m ²				
				Yield requirement						
				Commercial	4.8% – 6.8%	5.8%				
				Office	4.8% – 8.0%	6.4%				
				Apartment	4.0% – 6.0%	5.0%				
				Other	6.5% – 9.0%	7.8%				
Sweden	154	154	Discounted cash flows ²	Market rent						
				Commercial	117–195 EUR/m ²	146 EUR/m ²				
				Apartment	149–176 EUR/m ²	156 EUR/m ²				
				Other	65–66 EUR/m ²	65 EUR/m ²				
				Yield requirement						
				Commercial	5.8% – 6.8%	6.3%				
Other	64	–	Discounted cash flows	Apartment	3.5% – 4.4%	3.7%				
				Other	7.0% – 7.8%	7.4%				
Total	3,165	3,085								

1) Split based on the valuation methodologies used in different countries.

2) The fair value is calculated by external valuers.

G39

Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2014, EURm	Fair value ¹	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,656	1,645	Discounted cash flows	Market rent		
				Commercial	26–235 EUR/m ²	133 EUR/m ²
				Office	28–377 EUR/m ²	108 EUR/m ²
				Apartment	65–220 EUR/m ²	140 EUR/m ²
				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		
				Commercial	28–1,166 EUR/m ²	271 EUR/m ²
				Office	69–459 EUR/m ²	227 EUR/m ²
				Apartment	166–238 EUR/m ²	195 EUR/m ²
				Other	25–642 EUR/m ²	91 EUR/m ²
				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		
				Commercial	104–327 EUR/m ²	177 EUR/m ²
				Office	125–306 EUR/m ²	187 EUR/m ²
				Apartment	186–237 EUR/m ²	210 EUR/m ²
				Other	89–127 EUR/m ²	97 EUR/m ²
				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		
				Commercial	122–191 EUR/m ²	147 EUR/m ²
				Apartment	146–172 EUR/m ²	153 EUR/m ²
				Other	64–64 EUR/m ²	64 EUR/m ²
				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.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

G39

Assets and liabilities at fair value, cont.

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	2015	2014
Amount at beginning of year	36	38
Deferred profit/loss on new transactions	9	9
Recognised in the income statement during the year	-11	-11
Amount at end of year	34	36

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

EURm	31 Dec 2015		31 Dec 2014		Level in fair value hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	35,500	35,500	31,067	31,067	3
Loans	267,571	268,915	261,451	259,547	3
Interest-bearing securities	2,769	2,984	2,630	2,941	1,2,3
Other assets	2,698	2,698	4,590	4,590	3
Prepaid expenses and accrued income	968	968	1,123	1,123	3
Total	309,506	311,065	300,861	299,268	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	360,563	360,448	348,644	350,087	3
Other liabilities	3,652	3,652	6,377	6,377	3
Accrued expenses and prepaid income	341	341	345	345	3
Total	364,556	364,441	355,366	356,809	

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 measurement is categorised into Level 3 in the fair value hierarchy.

Interest-bearing securities

The fair value is EUR 2,984m (EUR 2,941m), of which EUR 2m (EUR 27m) is categorised in Level 1 and EUR 2,922m (EUR 2,914m) in Level 2 and EUR 60m (EUR 0m) in Level 3. 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.

G40
Financial instruments set off on balance or subject to netting agreements

31 Dec 2015, 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			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	207,514	-127,812	79,702	-60,192	-	-9,828	9,682
Reverse repurchase agreements	60,734	-9,888	50,846	-16,491	-34,162	-	193
Securities borrowing agreements	4,765	-	4,765	-	-4,765	-	0
Total	273,013	-137,700	135,313	-76,683	-38,927	-9,828	9,875

31 Dec 2015, 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			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	205,970	-127,812	78,158	-60,192	-	-10,991	6,975
Repurchase agreements	46,372	-9,888	36,484	-16,491	-19,956	-	37
Securities lending agreements	1,402	-	1,402	-	-1,402	-	0
Total	253,744	-137,700	116,044	-76,683	-21,358	-10,991	7,012

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 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			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
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			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
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.

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.

G41

Discontinued operations

EURm	2015	2014
Net interest income	–	28
Net fee and commission income	–	0
Other operating income	–	4
Total operating income	-	32
Total operating expenses	–	-19
Net loan losses	–	-5
Operating profit	-	8
Income tax expense	–	-4
Net profit for the period from discontinued operations	-	4
Net result for the period recognised on the measurement at fair value	–	-19
Transaction and transition cost (including cost to sell)	–	-10
Net profit for the period from discontinued operations after measurement at fair value less cost to sell	-	-25

Discontinued operations relate to Nordea's earlier announced decision to divest its Polish banking, financing and life insurance operations, including Nordea Bank Polska S.A., Nordea Finance Polska S.A. and Nordea Polska Towarzystwo Ubezpieczeń na Życie S.A., to PKO Bank Polski. All regulatory approvals were received and the transaction closed during the second quarter 2014, when also the operations were derecognised. During the second quarter 2015 the scope of discontinued operations changed and the IT-operations

earlier classified as discontinued operations were reclassified to continuing operations. The disposal group is excluded from Note G2 "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 operation on the other comprehensive income can be found in the statement of comprehensive income.

G42

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 2015	31 Dec 2014
Repurchase agreements		
Interest-bearing securities	8,333	12,121
Securities lending agreements		
Shares	8	30
Total	8,341	12,151

Liabilities associated with the assets

EURm	31 Dec 2015	31 Dec 2014
Repurchase agreements		
Deposits by credit institutions	6,288	7,291
Deposits and borrowings from the public	1,921	4,659
Securities lending agreements		
Deposits by credit institutions	8	31
Total	8,217	11,981
Net	124	170

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 2015	31 Dec 2014
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	38,819	47,165
– of which repledged or sold	19,447	36,676
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,869	5,469
– of which repledged or sold	152	2,969
Total	43,688	52,634

G43

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 2015	31 Dec 2014
Assets		
Interest-bearing securities	12,205	9,971
Shares	20,921	18,294
Other assets	1,411	860
Total assets	34,537	29,125
Liabilities		
Deposits and borrowings from the public	4,293	4,287
Insurance contracts	12,236	11,025
Investment contracts	16,784	13,813
Other liabilities	1,224	–
Total liabilities	34,537	29,125

G44

Maturity analysis for assets and liabilities

Expected maturity

EURm	Note	31 Dec 2015			31 Dec 2014		
		Expected to be recovered or settled:			Expected to be recovered or settled:		
		Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		35,500	–	35,500	31,067	–	31,067
Loans to central banks	G13	13,224	–	13,224	6,958	–	6,958
Loans to credit institutions	G13	9,705	1,254	10,959	10,608	1,609	12,217
Loans to the public	G13	111,672	229,248	340,920	119,462	228,623	348,085
Interest-bearing securities	G14	23,641	64,535	88,176	20,095	67,015	87,110
Financial instruments pledged as collateral	G15	1,539	6,802	8,341	3,603	8,548	12,151
Shares	G16	4,945	35,800	40,745	10,823	28,926	39,749
Derivatives	G17	12,527	68,214	80,741	14,966	90,153	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk		10	141	151	13	243	256
Investments in associated undertakings	G18	2	513	515	2	485	487
Intangible assets	G19	93	3,115	3,208	78	2,830	2,908
Properties and equipment		20	537	557	13	496	509
Investment properties	G21	3	3,162	3,165	12	3,215	3,227
Deferred tax assets	G11	41	35	76	57	73	130
Current tax assets		87	–	87	132	–	132
Retirement benefit assets	G31	74	303	377	0	42	42
Other assets	G22	18,582	18	18,600	17,553	28	17,581
Prepaid expenses and accrued income	G23	1,164	362	1,526	1,198	416	1,614
Total assets		232,829	414,039	646,868	236,640	432,702	669,342
Deposits by credit institutions	G24	41,800	2,409	44,209	53,226	3,096	56,322
Deposits and borrowings from the public	G25	186,716	6,626	193,342	190,044	7,210	197,254
Liabilities to policyholders	G26	4,086	51,405	55,491	4,073	47,770	51,843
Debt securities in issue	G27	72,977	128,960	201,937	77,152	117,122	194,274
Derivatives	G17	13,724	65,781	79,505	13,557	83,783	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk		521	2,073	2,594	351	3,067	3,418
Current tax liabilities		225	0	225	341	27	368
Other liabilities	G28	26,657	99	25,756	26,828	145	26,973
Accrued expenses and prepaid income	G29	1,769	36	1,805	1,909	34	1,943
Deferred tax liabilities	G11	83	945	1,028	145	838	983
Provisions	G30	305	110	415	215	90	305
Retirement benefit liabilities	G31	3	326	329	11	529	540
Subordinated liabilities	G32	642	8,558	9,200	–	7,942	7,942
Total liabilities		348,508	267,328	615,836	367,852	271,653	639,505

G44

Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	52,162	96,460	50,330	153,919	244,812	597,683
Non interest-bearing financial assets	–	–	–	–	67,601	67,601
Non-financial assets	–	–	–	–	9,748	9,748
Total assets	52,162	96,460	50,330	153,919	322,161	675,032
Interest-bearing financial liabilities	148,270	120,280	56,979	105,474	49,556	480,559
Non interest-bearing financial liabilities	–	–	–	–	46,097	46,097
Non-financial liabilities and equity	–	–	–	–	72,578	72,578
Total liabilities and equity	148,270	120,280	56,979	105,474	168,231	599,234
Derivatives, cash inflow	–	526,203	115,018	57,379	14,915	713,515
Derivatives, cash outflow	–	526,114	115,240	61,418	14,387	717,159
Net exposure	–	89	–222	–4,039	528	–3,644
Exposure	–96,108	–23,731	–6,871	44,406	154,458	72,154
Cumulative exposure	–96,108	–119,839	–126,710	–82,304	72,154	–
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	–	–	–	–	57,627	57,627
Non-financial assets	–	–	–	–	9,737	9,737
Total assets	21,618	117,658	52,743	154,129	312,863	659,011
Interest-bearing financial liabilities	128,160	139,785	63,412	98,666	49,086	479,109
Non interest-bearing financial liabilities	–	–	–	–	43,844	43,844
Non-financial liabilities and equity	–	–	–	–	72,356	72,356
Total liabilities and equity	128,160	139,785	63,412	98,666	165,286	595,309
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	147,409	57,217
Cumulative exposure	–106,542	–147,549	–156,469	–90,192	57,217	–

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 71,340m (EUR 74,291m), which could be drawn on at any time. Nordea

has also issued guarantees of EUR 20,656m (EUR 19,838m) 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".

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Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

EURm	Associated undertakings		Other related parties ¹	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Assets				
Loans	546	594	–	–
Interest-bearing securities	73	59	–	–
Derivatives	76	224	–	–
Investments in associated undertakings	515	487	–	–
Total assets	1,210	1,364	–	–
Liabilities				
Deposits	69	215	74	36
Derivatives	118	154	–	–
Total liabilities	187	369	74	36
Off balance²	5,307	6,212	–	–

EURm	Associated undertakings		Other related parties ¹	
	2015	2014	2015	2014
Net interest income	5	9	–	–
Net fee and commission income	4	5	–	1
Net result from items at fair value	246	–90	–	–
Profit before loan losses	255	–76	–	1

1) Shareholders with significant influence and close family members to key management personnel in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

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 16m. 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.

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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) 2015, 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 2015	31 Dec 2014
On-balance sheet items	414,675	404,720
Off-balance sheet items	50,746	47,191
Securities financing	5,699	4,667
Derivatives	26,757	30,992
Exposure At Default (EAD)	497,877	487,570

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 on page 155 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:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances 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:

- Non CRR related items. Items not part of consolidated situation of CRR such as 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.

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Credit risk disclosures

On-balance sheet items

31 Dec 2015, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items excluded from CRR scope of consolidation	Other	Balance sheet
Cash and balances with central banks	35,500	–	–	–	–	35,500
Loans to credit institutions and central banks	14,409	–	8,618	1,158	–2	24,183
Loans to the public	304,896	–	39,527	–4,386	883	340,920
Interest-bearing securities and pledged instruments	56,629	18,807	–	21,081	–	95,517
Derivatives ¹	–	–	82,781	–2,040	–	80,741
Intangible assets	–	–	–	342	2,866	3,208
Other assets and prepaid expenses	4,283	26,225	–	34,870	421	65,799
Total assets	415,717	45,032	130,926	51,025	4,168	646,868
Exposure at default²	414,675					

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 2014, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items excluded from CRR scope of consolidation	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 default²	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.

Off-balance sheet items

31 Dec 2015, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	22,541	28	–	22,569
Commitments	73,673	990	–	74,663
Total	96,214	1,018	–	97,232

31 Dec 2015, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	50,637	1,422	52,059	48%	24,760
Checking accounts	16,800	4,205	21,005	51%	10,786
Loan commitments	6,194	7,827	14,021	41%	5,692
Guarantees	21,012	–	21,012	44%	8,939
Other	1,571	27	1,598	36%	569
Total	96,214	13,481	109,695		50,746

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Credit risk disclosures

31 Dec 2014, EURm	Credit risk in accordance with CRR	Items excluded from CRR scope of consolidation	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 accordance with CRR	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

Exposure classes split by exposure type

As of year-end 2015, 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 2015, total exposure slightly increased due to growth of the sovereign, retail and corporate portfolios.

31 Dec 2015, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	76,620	1,074	713	4,418	82,825
Institutions	35,462	1,086	3,335	8,548	48,431
Corporate	126,266	34,021	1,111	13,416	174,814
Retail ¹	167,086	14,367	1	89	181,543
Other	9,241	198	539	286	10,264
Total exposure	414,675	50,746	5,699	26,757	497,877

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 ¹	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

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

Nordea is geographically well diversified and as of end 2015, no market accounts for more than 25% of the total exposure. The exposures in Denmark and Sweden represent 25% and 24% of the total exposure in Nordea respectively, while Finland accounts for 16% and Norway 13%.

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Credit risk disclosures

31 Dec 2015, 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	39,469	11,708	12,014	2,978	12,769	327	234	33,961	8,834	82,825
Institutions	29,311	15,229	546	4,634	8,902	6	156	2,022	16,936	48,431
Corporate	139,110	43,823	27,073	29,222	38,992	5,368	4,271	2,381	23,684	174,814
Retail	175,519	51,961	39,886	28,313	55,359	3,315	263	5	2,441	181,543
Other ¹	5,925	1,142	1,405	942	2,436	185	113	200	3,841	10,264
Total exposure	389,334	123,863	80,924	66,089	118,458	9,201	5,037	38,569	55,736	497,877

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

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 (statistical classification codes of economic activities in the European community).

The corporate portfolio is well diversified between industry groups. The real estate management and investment industry group is the largest, which together with other financial institutions account for 35% of total IRB corporate exposure. The

biggest increase in terms of corporate exposure relative industry group weightings between 2014 and 2015 can be seen in industrial commercial services. The biggest decrease occurred in consumer staples.

Counterparties classified as Other, public and organisations compose the main part of the retail exposure class. The largest relative decrease compared to 2014 total figures occurred in the industry group IT software, hardware and services. The largest relative increase occurred in industrial capital goods.

EURm	31 Dec 2015	31 Dec 2014
Construction and engineering	5,673	5,179
Consumer durables (cars, appliances etc)	4,543	4,713
Consumer staples (food, agriculture etc)	13,685	14,447
Energy (oil, gas etc)	4,337	4,745
Health care and pharmaceuticals	2,010	2,141
Industrial capital goods	4,931	4,250
Industrial commercial services	16,154	14,413
IT software, hardware and services	1,856	2,226
Media and leisure	2,730	2,861
Metals and mining materials	1,081	1,098
Other financial institutions	67,167	68,383
Other materials (chemical, building materials etc)	8,213	8,180
Other, public and organisations	275,013	264,218
Paper and forest material	2,467	2,718
Real estate management and investment	46,619	47,149
Retail trade	13,045	13,378
Shipping and offshore	13,065	12,160
Telecommunication equipment	283	261
Telecommunication operators	1,642	1,742
Transportation	4,626	4,566
Utilities distribution and production	8,737	8,742
Total exposure	497,877	487,570

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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 cases where institutions cal-

culate REA and expected loss amount under the IRB approach and are internally rated by the institutions, are eligible. Central governments and municipalities guarantee approximately 52% 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. At the end of the year, approximately 43% (41%) of the total exposure was secured by eligible collateral. The relative share of collateralised exposure remains stable.

	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
31 Dec 2015, EURm				
Government, local authorities and central banks	82,345	82,825	551	–
Institutions	50,375	48,431	144	608
Corporate	222,486	174,814	11,551	67,611
Retail	191,986	181,543	2,054	143,507
Other	10,967	10,264	53	52
Total exposure	558,159	497,877	14,353	211,778

	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
31 Dec 2014, EURm				
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	10,640	10,146	16	42
Total exposure	550,329	487,570	14,797	200,772

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 in relative terms. The other physical collateral category saw an increase during the year while residential and commercial

real estate, receivables and financial collateral decreased in relative. Real estate is commonly used as collateral for credit risk mitigation purposes. There is no concentration of real estate collateral to any particular region within the Nordic and Baltic countries. Other physical collateral consists mainly of ships.

	31 Dec 2015	31 Dec 2014
Financial Collateral	1.3%	1.4%
Receivables	0.8%	0.9%
Residential Real Estate	71.8%	71.9%
Commercial Real Estate	17.4%	17.5%
Other Physical Collateral	8.7%	8.3%
Total	100.0%	100.0%

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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 2015, the retail mortgage exposure remained stable including the LTV bucket representing LTV below 50%.

Retail mortgage exposure	31 Dec 2015		31 Dec 2014	
	EURbn	%	EURbn	%
<50%	105.3	78	98.2	77
50–70%	21.4	16	20.8	16
70–80%	5.1	4	5.4	4
80–90%	1.7	1	2.1	2
>90%	0.8	1	1.1	1
Total	134.3	100	127.6	100

Collateralised Debt Obligations (CDO) – Exposure¹

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 synthetic 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 derivative transactions create counterparty credit risk in a 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.

Nominal, EURm	31 Dec 2015		31 Dec 2014	
	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	788	2,418	1,204	2,155
Hedged exposures	754	754	1,005	1,005
CDOs, net²	34³	1,664⁴	199³	1,150⁴
– of which Equity	3	509	20	355
– of which Mezzanine	10	626	98	512
– of which Senior	21	529	81	283

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 15m (EUR 47m) and net sold protection to EUR 64m (EUR 46m). 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 0m (EUR 54m) and sub investment grade EUR 34m (EUR 145m).

4) Of which investment grade EUR 604m (EUR 457m) and sub investment grade EUR 962m (EUR 600m) and not rated EUR 98m (EUR 93m).

Forbearance

EURm	31 Dec 2015	31 Dec 2014
Forborne loans	5,568	6,165
– of which defaulted	2,466	2,697
Allowances for individually assessed impaired and forborne loans	1,050	1,070
– of which defaulted	1,050	1,070
Key ratios	31 Dec 2015	31 Dec 2014
Forbearance ratio ¹	1.5%	1.7%
Forbearance coverage ratio ²	19%	17%
– of which defaulted	43%	40%

1) Forborne loans / Loans before allowances.

2) Individual allowances / Forborne loans.

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Credit risk disclosures
Assets taken over for protection of claims¹

EURm	31 Dec 2015	31 Dec 2014
Current assets, carrying amount:		
Land and buildings	66	90
Shares and other participations	39	26
Other assets	2	2
Total	107	118

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

Past due loans, 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 is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2015 EUR 962m, up from EUR 628m one year ago, and past due loans for household customers increased to EUR 1,620m (EUR 1,258m).

EURm	31 Dec 2015		31 Dec 2014	
	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	653	1,058	375	838
31–60 days	153	250	125	222
61–90 days	37	89	70	99
>90 days	118	223	58	99
Total	961	1,620	628	1,258
Past due not impaired loans divided by loans to the public after allowances, %	0.54	1.02	0.33	0.82

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 66% (73%) of the corporate volume represents loans up to EUR 50m per customer.

Size in EURm	31 Dec 2015		31 Dec 2014	
	Loans EURbn	%	Loans EURbn	%
0–10	74.8	42	89.5	48
10–50	42.0	24	47.7	25
50–100	20.1	11	19.2	10
100–250	23.4	13	20.7	11
250–500	8.3	5	7.1	4
500–	8.8	5	4.1	2
Total	177.4	100	188.3	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.

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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 1,330m (EUR 1,430m) and at year-end EUR 1,018m (EUR 1,103) where utilised. Total assets in the conduit were EUR 1,072m (EUR 1,177m) 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 in structured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 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.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 125m (EUR 90m) and at year-end 2015 EUR 117m (EUR 75m) were utilised. The entity holds assets of EUR 95m (EUR 80m) as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest, but do not control, 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 interests 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 is 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 is 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 (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 347m (EUR 300m), 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 2015	31 Dec 2014
Assets, carrying amount:		
Shares	32,189	27,740
Total assets	32,189	27,740
Liabilities, carrying amount:		
Deposits and borrowings from the public	1,077	1,386
Liabilities to policy holders	30,333	25,287
Derivatives	109	105
Total liabilities	31,519	26,778
Off balance, nominal amount:		
Loan commitments	28	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 132bn (EUR 114bn). All funds are financed by deposits from the holders of fund units. The total assets in 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.

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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 geographical 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. Nordea has not received any significant government subsidies.

Country	Business ¹	Geographical area	2015				2014			
			Average number of employees	Total operating income ² , EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income ² , EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	8,288	2,602	914	-202	8,255	2,974	1,130	-161
Finland	RB, WB, AM, LP	Finland	6,946	2,605	1,535	-358	6,971	2,197	1,136	-222
Sweden	RB, WB, AM, LP	Sweden	6,957	2,893	773	-130	6,963	2,963	706	-205
Norway	RB, WB, AM, LP	Norway	3,137	1,584	835	-180	3,238	1,732	900	-238
Russia	WB	Russia	1,085	182	94	-22	1,418	203	92	-20
Poland	Other	Poland	1,197	62	0	-2	931	15	-40	7
Estonia	RB, WB, LP	Estonia	480	90	60	-12	486	61	27	-3
Latvia	RB, WB	Latvia	436	76	28	-6	431	64	-49	-3
Luxembourg	AM, LP	Luxembourg	393	313	211	-64	373	252	143	-42
Lithuania	RB, WB, LP	Lithuania	360	38	14	-2	351	52	21	-4
United States	RB, WB, AM, LP	New York	110	147	95	-31	118	134	94	-45
United Kingdom	RB, WB, AM, LP	London	82	128	88	-17	75	103	71	0
Singapore	WB	Singapore	86	51	28	-5	85	51	50	-8
Germany	WB, AM	Frankfurt	58	33	24	-9	57	37	23	-5
Switzerland	AM	Zürich	32	14	4	-1	30	13	2	0
China	WB	Shanghai	29	7	1	-1	28	6	1	-1
Brazil	WB	Sao Paolo	5	2	0	0	4	1	0	0
Eliminations ³			–	-686	–	–	–	-617	–	–
Total			29,681	10,141	4,704	-1,042	29,814	10,241	4,307	-950

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.

G48 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 2015" in Note G37 and in the last table in Note G18.

Denmark

Nordea Liv & Pension, Livforsikringsselskab A/S
Nordea Investment Management AB, Denmark Branch
Nordea, Filial af Nordea Bank AB (publ), Sverige

Finland

Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finland Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland
Nordea Bank AB (publ) Finnish Branch

Sweden

Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Svensk Filial

Norway

Nordea Liv Holding Norge AS
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds, Norwegian Branch
Nordea Bank AB (publ), Norsk avdeling av utenlandsk foretak

Estonia

Nordea Bank AB Estonia Branch

Latvia

Nordea Bank AB Latvia Branch

Lithuania

Nordea Bank AB Lithuania Branch

Germany

Nordea Bank AB Frankfurt Branch

China

Nordea Bank AB Shanghai Branch

Poland

Nordea Bank AB Spółka Akcyjna Oddział w Polsce

Singapore

Nordea Bank Finland Plc, Singapore Branch

Switzerland

Nordea Bank S.A., Zürich Branch

United Kingdom

Nordea Bank AB London Branch

United States

Nordea Bank Finland Plc, New York and Cayman Islands Branch

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Income statement, Parent company

EURm	Note	2015	2014
Operating income			
Interest income		1,607	1,942
Interest expense		-1,031	-1,293
Net interest income	P3	576	649
Fee and commission income		1,094	1,093
Fee and commission expense		-273	-273
Net fee and commission income	P4	821	820
Net result from items at fair value	P5	136	186
Dividends	P6	2,176	2,333
Other operating income	P7	833	975
Total operating income		4,542	4,963
Operating expenses			
General administrative expenses:			
Staff costs	P8	-1,196	-1,070
Other expenses	P9	-851	-904
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P22, P23	-140	-261
Total operating expenses		-2,187	-2,235
Profit before loan losses		2,355	2,728
Net loan losses	P11	-143	-98
Impairment of securities held as financial non-current assets	P20	-9	-15
Operating profit		2,203	2,615
Appropriations	P12	2	-1
Income tax expense	P13	-285	-189
Net profit for the year		1,920	2,425

Statement of comprehensive income

EURm	2015	2014
Net profit for the year	1,920	2,425
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	-4	2
Available for sale investments ¹⁾ :		
Valuation gains/losses during the year	-55	6
Tax on valuation gains/losses during the year	12	-1
Transferred to the income statement during the year	-4	0
Tax on transfers to the income statement during the year	1	0
Cash flow hedges:		
Valuation gains/losses during the year	181	140
Tax on valuation gains/losses during the year	-40	-31
Transferred to the income statement during the year	-154	-139
Tax on transfers to the income statement during the year	34	31
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	12	-11
Tax on remeasurement of benefit plans during the year	-3	2
Other comprehensive income, net of tax	-20	-1
Total comprehensive income	1,900	2,424

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 2015	31 Dec 2014
Assets			
Cash and balances with central banks		75	931
Treasury bills	P14	6,905	5,035
Loans to credit institutions	P15	90,009	86,704
Loans to the public	P15	45,820	39,809
Interest-bearing securities	P16	12,163	11,321
Financial instruments pledged as collateral	P17	–	43
Shares	P18	2,363	6,061
Derivatives	P19	5,011	5,981
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1	1
Investments in group undertakings	P20	19,394	16,986
Investments in associated undertakings	P21	7	7
Intangible assets	P22	1,091	758
Properties and equipment	P23	138	119
Deferred tax assets	P13	26	14
Current tax assets		3	50
Other assets	P24	4,387	3,727
Prepaid expenses and accrued income	P25	780	884
Total assets		188,173	178,431
Liabilities			
Deposits by credit institutions	P26	19,069	27,452
Deposits and borrowings from the public	P27	61,043	49,367
Debt securities in issue	P28	68,908	63,280
Derivatives	P19	4,180	4,653
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,158	1,368
Current tax liabilities		34	4
Other liabilities	P29	3,531	2,895
Accrued expenses and prepaid income	P30	759	642
Deferred tax liabilities	P13	0	0
Provisions	P31	301	206
Retirement benefit liabilities	P32	159	171
Subordinated liabilities	P33	8,951	7,728
Total liabilities		168,093	157,766
Untaxed reserves	P34	2	4
Equity			
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		–21	–5
Retained earnings		14,969	15,536
Total equity		20,078	20,661
Total liabilities and equity		188,173	178,431
Assets pledged as security for own liabilities	P35	1,208	3,946
Other assets pledged	P36	7,686	9,238
Contingent liabilities	P37	72,402	71,103
Commitments	P38	27,927	23,824

Statement of changes in equity, Parent company

EURm	Restricted equity		Unrestricted equity ¹					Total equity
	Share capital	Share premium reserve	Other reserves:					
			Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings		
Balance at 1 Jan 2015	4,050	1,080	-37	41	-9	15,536	20,661	
Net profit for the year	-	-	-	-	-	1,920	1,920	
<i>Items that may be reclassified subsequently to the income statement</i>								
Currency translation differences during the year	-	-	-	-	-	-4	-4	
Available for sale investments:								
Valuation gains/losses during the year	-	-	-	-55	-	-	-55	
Tax on valuation gains/losses during the year	-	-	-	12	-	-	12	
Transferred to the income statement during the year	-	-	-	-4	-	-	-4	
Tax on transfers to the income statement during the year	-	-	-	1	-	-	1	
Cash flow hedges:								
Valuation gains/losses during the year	-	-	181	-	-	-	181	
Tax on valuation gains/losses during the year	-	-	-40	-	-	-	-40	
Transferred to the income statement during the year	-	-	-154	-	-	-	-154	
Tax on transfers to the income statement during the year	-	-	34	-	-	-	34	
<i>Items that may not be reclassified subsequently to the income statement</i>								
Defined benefit plans:								
Remeasurement of benefit plans during the year	-	-	-	-	12	-	12	
Tax on remeasurement of benefit plans during the year	-	-	-	-	-3	-	-3	
Other comprehensive income, net of tax	-	-	21	-46	9	-4	-20	
Total comprehensive income	-	-	21	-46	9	1,916	1,900	
Share-based payments	-	-	-	-	-	2	2	
Dividend for 2014	-	-	-	-	-	-2,501	-2,501	
Divestment of own shares ²	-	-	-	-	-	16	16	
Balance at 31 Dec 2015	4,050	1,080	-16	-5	0	14,969	20,078	

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 Term Incentive Programme and trading portfolio. The number of own shares were 11.7 million.

EURm	Restricted equity	Unrestricted equity ¹					Total equity
	Share capital	Share premium reserve	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	
Balance at 1 Jan 2014	4,050	1,080	-38	36	-	14,793	19,921
Net profit for the year	-	-	-	-	-	2,425	2,425
<i>Items that may be reclassified subsequently to the income statement</i>							
Currency translation differences during the year	-	-	-	-	-	2	2
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
<i>Items that may not be reclassified subsequently to the income statement</i>							
Defined benefit plans:							
Remeasurement of benefit plans during the year	-	-	-	-	-11	-	-11
Tax on remeasurement of benefit plans during the year	-	-	-	-	2	-	2
Other comprehensive income, net of tax	-	-	1	5	-9	2	-1
Total comprehensive income	-	-	1	5	-9	2,427	2,424
Share-based payments	-	-	-	-	-	15	15
Dividend for 2013	-	-	-	-	-	-1,733	-1,733
Divestment of own shares ²	-	-	-	-	-	34	34
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 Term Incentive Programme and trading portfolio. The number of own shares were 17.6 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 2014	1.0	4,049,951,919	4,049,951,919
Balance at 31 Dec 2015	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 17 March 2016, a dividend in respect of 2015 of EUR 0.64 per share (2014 actual dividend EUR 0.62 per share) amount-

ing to a total of EUR 2,584,494,736 (2014 actual: EUR 2,501,100,294) is to be proposed. The financial statements for the year ended 31 December 2015 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2016.

Cash flow statement, Parent company

EURm	2015	2014
Operating activities		
Operating profit	2,203	2,615
Adjustment for items not included in cash flow	-1,026	-655
Income taxes paid	-226	-232
Cash flow from operating activities before changes in operating assets and liabilities	951	1,728
Changes in operating assets		
Change in treasury bills	-1,918	-58
Change in loans to credit institutions	-7,543	-239
Change in loans to the public	-6,153	-5,809
Change in interest-bearing securities	-927	-217
Change in financial assets pledged as collateral	43	694
Change in shares	3,699	-704
Change in derivatives, net	558	-63
Change in other assets	1,643	561
Changes in operating liabilities		
Change in deposits by credit institutions	-5,952	9,941
Change in deposits and borrowings from the public	11,460	1,817
Change in debt securities in issue	5,600	-10
Change in other liabilities	-1,570	-1,279
Cash flow from operating activities	-109	6,362
Investing activities		
Shareholder's contributions to group undertakings	-2,754	-
Sale of business operations	200	626
Acquisition of properties and equipment	-55	-30
Sale of property and equipment	1	1
Acquisition of intangible assets	-446	-258
Sale of intangible assets	-1	-
Net divestments in debt securities, held to maturity	110	209
Cash flow from investing activities	-2,945	548
Financing activities		
Issued subordinated liabilities	2,166	1,224
Amortised subordinated liabilities	-1,317	-
Repurchase/divestment of own shares incl change in trading portfolio	16	34
Dividend paid	-2,501	-1,734
Cash flow from financing activities	-1,636	-476
Cash flow for the year	-4,690	6,434
Cash and cash equivalents at the beginning of year	8,033	1,599
Cash and cash equivalents at the end of year	3,343	8,033
Change	-4,690	6,434

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	2015	2014
Depreciation	130	118
Impairment charges	19	158
Loan losses	152	122
Unrealised gains/losses	-14	-281
Capital gains/losses (net)	-171	-280
Change in accruals and provisions	287	236
Anticipated dividends	-1,293	-1,109
Group contributions	-614	-645
Translation differences	681	386
Change in fair value of the hedged items, assets/liabilities (net)	-210	641
Other	7	-1
Total	-1,026	-655

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	2015	2014
Interest payments received	1,574	2,039
Interest expenses paid	1,024	1,315

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 2015	31 Dec 2014
Cash and balances with central banks	75	931
Loans to credit institutions, payable on demand	3,268	7,102
Total	3,343	8,033

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	2015	2014	2013	2012	2011
Net interest income	576	649	641	724	680
Net fee and commission income	821	820	1,009	623	560
Net result from items at fair value	136	186	131	189	234
Dividends	2,176	2,333	1,827	3,554	1,534
Other income	833	975	674	501	122
Total operating income	4,542	4,963	4,282	5,591	3,130
General administrative expenses:					
Staff costs	-1,196	-1,070	-982	-938	-823
Other expenses	-851	-904	-1,018	-842	-561
Depreciation, amortisation and impairment charges of tangible and intangible assets	-140	-261	-109	-105	-112
Total operating expenses	-2,187	-2,235	-2,109	-1,885	-1,496
Profit before loan losses	2,355	2,728	2,173	3,706	1,634
Net loan losses	-143	-98	-124	-19	-20
Impairment of securities held as financial non-current assets	-9	-15	-4	-15	-9
Operating profit	2,203	2,615	2,045	3,672	1,605
Appropriations	2	-1	102	-103	1
Income tax expense	-285	-189	-192	-95	-114
Net profit for the year	1,920	2,425	1,955	3,474	1,492

Balance sheet

EURm	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Treasury bills and interest-bearing securities	19,068	16,356	16,080	16,686	18,314
Loans to credit institutions	90,009	86,704	80,918	68,006	59,379
Loans to the public	45,820	39,809	34,155	36,214	36,421
Investments in group undertakings	19,394	16,986	17,723	17,659	16,713
Other assets	13,882	18,576	15,047	13,565	10,554
Total assets	188,173	178,431	163,923	152,130	141,381
Deposits by credit institutions	19,069	27,452	17,500	19,342	22,441
Deposits and borrowings from the public	61,043	49,367	47,531	50,263	44,389
Debt securities in issue	68,908	63,280	62,961	48,285	45,367
Subordinated liabilities	8,951	7,728	5,971	7,131	6,154
Other liabilities/untaxed reserves	10,124	9,943	10,039	7,734	6,109
Equity	20,078	20,661	19,921	19,375	16,921
Total liabilities and equity	188,173	178,431	163,923	152,130	141,381

Ratios and key figures, Parent company

	2015	2014	2013	2012	2011
Return on equity, %	10.1	12.6	10.5	20.5	9.4
Return on assets, %	1.0	1.4	1.2	2.3	1.1
Cost/income ratio, %	48.2	45.0	49.3	33.9	47.8
Loan loss ratio, basis points	31	25	36	5	5
Common Equity Tier 1 capital ratio excluding transition rules ^{1,2} , %	18.8	21.8	20.8	17.6	24.9
Tier 1 capital ratio, excluding transition rules ¹ , %	22.2	25.3	23.1	19.6	28.1
Total capital ratio, excluding transition rules ¹ , %	27.1	30.6	28.0	24.4	33.3
Tier 1 capital ^{1,2,3} , EURm	19,314	19,932	19,300	19,244	17,134
Risk-exposure amount, including transition rules ¹ , EURbn	87	79	83	98	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 and 2015 ratios are reported using the Basel III (CRR/CRD IV) framework.

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 including amendments) and the accounting recommendation RFR 2 Accounting for legal entities (RFR 2) issued by the Swedish Financial Reporting Board. 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

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities RFR 2 by issuing "RFR 2 Accounting for Legal Entities – January 2015". Those amendments were implemented by the parent company 1 January 2015, but have not had any significant impact on the parent company's financial statement.

Other changes implemented by the parent company 1 January 2015 can be found in section "Changed accounting policies" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

Changes in IFRSs not yet applied

The IASB has issued "Amendments to IAS 27, Equity method in Separate Financial Statements" which allows the equity method when accounting for investments in subsidiaries, joint ventures and associated companies. The amendment is effective as from annual periods beginning on or after 1 January 2016. The amendment is endorsed by the EU commission. However, the Swedish accounting laws do not allow the equity method for investments in subsidiaries. Nordea's expectation is that the amendments in IAS 27 will not have any significant impact on the parent company's financial statements, capital adequacy or large exposures in the period of initial application.

Other forthcoming changes in IFRS not yet implemented by the parent company can be found in the section 3 "Changes in IFRSs not yet applied" 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. 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

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, normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

Functional currency

The accounting currency (Sw: redovisningsvaluta) 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". Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

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, defined 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

EURm	Sweden		Finland		Norway		Denmark		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	576	649	–	–	–	–	–	–	–	–	576	649
Net fee and commission income	821	820	–	–	–	–	–	–	–	–	821	820
Net result from items at fair value	136	186	–	–	–	–	–	–	–	–	136	186
Dividends ¹	734	949	876	604	–	–	401	750	165	30	2,176	2,333
Other operating income	156	327	205	214	91	94	381	340	–	–	833	975
Total operating income	2,423	2,931	1,081	818	91	94	782	1,090	165	30	4,542	4,963

1) Regards dividends from group undertakings.

P3 Net interest income

EURm	2015	2014
Interest income		
Loans to credit institutions	455	651
Loans to the public	880	928
Interest-bearing securities	201	295
Other interest income	71	68
Interest income	1,607	1,942
Interest expense		
Deposits by credit institutions	–46	–127
Deposits and borrowings from the public	–83	–193
Debt securities in issue	–917	–958
Subordinated liabilities	–359	–313
Other interest expenses ¹	374	298
Interest expense	–1,031	–1,293
Net interest income	576	649

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 expenses, 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 1,407m (EUR 1,655m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –1,424m (EUR –1,617m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4 Net fee and commission income

EURm	2015	2014
Asset management commissions	154	129
Life insurance	1	1
Brokerage, securities issues and corporate finance	150	168
Custody and issuers services	34	24
Deposits	19	23
Total savings related commissions	358	345
Payments	108	105
Cards	230	238
Total payment commissions	338	343
Lending	162	157
Guarantees and documentary payment	197	215
Total lending related commissions	359	372
Other commission income	39	33
Fee and commission income	1,094	1,093
Savings and investments	-35	-30
Payments	-24	-22
Cards	-130	-136
State guarantee fees	-65	-55
Other commission expenses	-19	-30
Fee and commission expense	-273	-273
Net fee and commission income	821	820

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 181m (EUR 180m).

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 305m (EUR 298m). The corresponding amount for fee expenses is EUR -35m (EUR -30m).

P5 Net result from items at fair value

EURm	2015	2014
Equity related instruments	7	47
Interest related instruments and foreign exchange gains/losses	131	125
Other financial instruments (including credit and commodities)	-2	14
Total¹	136	186

1) Of which EUR 26m (EUR 41m) is dividends from shares.

P5 Net result from items at fair value, cont.

Net result from categories of financial instruments		
EURm	2015	2014
Available for sale assets, realised	4	0
Financial instruments designated at fair value through profit or loss	19	21
Financial instruments held for trading	29	53
Financial instruments under fair value hedge accounting	1	6
– of which net losses on hedging instruments	-157	-487
– of which net gains on hedged items	158	493
Financial assets measured at amortised cost	14	27
Foreign exchange gains/losses excluding currency hedges	69	83
Other	0	-4
Total	136	186

P6 Dividends

EURm	2015	2014
Dividends from group undertakings		
Nordea Bank Finland Plc	780	550
Nordea Bank Denmark A/S	395	739
LLC Promyshlennaya Kompaniya VESTKON	89	–
JSC Nordea Bank	6	–
Nordea Life Holding AB	–	220
Nordea Funds Ltd	96	54
Nordea Bank S.A.	70	30
Nordea Investment Management AB	120	75
Nordea Ejendomsinvestering A/S	5	11
Barkman Elektronik AB in liquidation	–	8
Dividends from associated undertakings		
Upplysningscentralen (UC) AB	–	1
Group Contributions		
Nordea Hypotek AB	492	494
Nordea Nordic Baltic 1 AB	–	8
Nordea Investment Management AB	11	14
Nordea Finans AB	112	129
Total	2,176	2,333

P7 Other operating income

EURm	2015	2014
Divestment of shares	170	278
Remuneration from group undertakings	661	691
Other	2	6
Total	833	975

P8

Staff costs

EURm	2015	2014
Salaries and remuneration (specification below) ¹	-836	-716
Pension costs (specification below)	-146	-134
Social security contributions	-233	-213
Other staff costs	19	-7
Total	-1,196	-1,070

Salaries and remuneration

To executives ²		
- Fixed compensation and benefits	-6	-6
- Performance-related compensation	-4	-6
- Allocation to profit-sharing	0	0
Total	-10	-12
To other employees	-826	-704
Total	-836	-716

1) Allocation to profit-sharing foundation 2015 EUR 29m (EUR 25m) consists of a new allocation of EUR 28m (EUR 24m) and an allocation related to prior year of EUR 1m (EUR 1m).

2) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, are included. Executives amounts to 18 (15) positions.

EURm	2015	2014
Pension costs¹		
Defined benefit plans	-77	-73
Defined contribution plans	-69	-61
Total	-146	-134

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) not later than one week before the Annual General Meeting on 17 March 2016.

Compensation to key management personnel

Salaries and remuneration 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 programmes¹

EURm	LTIP 2012	LTIP 2011
Total expense during 2015	-1	-
Total expense during 2014	-5	-1

1) All amounts excluding social security contribution.

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 2015 is paid no earlier than autumn 2019. 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 2015 is decided during spring 2016, and a reservation of EUR 18m excl. social costs is made 2015. 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).

EURm	Share linked deferrals	
	2015	2014
Opening balance	7	3
Reclassification ¹	2	-
Deferred/earned during the year	16	5
TSR indexation during the year	1	1
Payments during the year ²	-5	-1
Translation differences	1	-1
Closing balance	22	7

1) Relates to a reclassification from deferred amounts that are indexed with a fixed rate.

2) There have been no adjustments due to forfeitures.

P8 Staff costs, cont.**Average number of employees**

	Total		Men		Women	
	2015	2014	2015	2014	2015	2014
Full-time equivalents						
Sweden	6,450	6,485	3,034	2,983	3,416	3,502
Other countries	4,151	3,613	2,200	1,854	1,951	1,759
Total average	10,601	10,098	5,234	4,837	5,367	5,261

Gender distribution, executives

Per cent	31 Dec 2015	31 Dec 2014
Nordea Bank AB (publ)		
Board of Directors – Men	56	50
Board of Directors – Women	44	50
Other executives – Men	78	86
Other executives – Women	22	14

P9 Other expenses

EURm	2015	2014
Information technology	-467	-538
Marketing and representation	-31	-34
Postage, transportation, telephone and office expenses	-48	-55
Rents, premises and real estate	-136	-133
Other ¹	-169	-144
Total	-851	-904

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2015	2014
PricewaterhouseCoopers		
Auditing assignments	-2	-
Audit-related services	0	-
Tax advisory services	0	-
Other assignments	-1	-
Total	-3	-
KPMG		
Auditing assignments	-1	-2
Audit-related services	-1	0
Tax advisory services	-	0
Other assignments	0	-1
Total	-2	-3

P10 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2015	2014
Depreciation/amortisation		
Properties and equipment (Note P23)		
Equipment	-26	-27
Intangible assets (Note P22)		
Goodwill	-56	-49
Computer software	-31	-31
Other intangible assets	-17	-11
Total	-130	-118
Impairment charges		
Intangible assets (Note P22)		
Computer software	-7	-142
Other intangible assets	-3	-1
Total	-10	-143
Total	-140	-261

P11 Net loan losses

EURm	2015	2014
Loan losses divided by class		
Recoveries on previous realised loan losses	0	-
Provisions	0	-
Reversals of previous provisions	1	0
Loans to credit institutions¹	1	0
Realised loan losses	-72	-68
Allowances to cover realised loan losses	34	24
Recoveries on previous realised loan losses	8	23
Provisions	-175	-77
Reversals of previous provisions	84	64
Loans to the public¹	-121	-34
Realised loan losses	-9	-37
Recoveries on previous realised loan losses	6	-
Provisions	-42	-77
Reversals of previous provisions	22	50
Off-balance sheet items²	-23	-64
Net loan losses	-143	-98

1) See Note P15 "Loans and impairment".

2) Included in Note P31 "Provisions" as "Transfer risk" and "Guarantees".

P12
Appropriations

EURm	2015	2014
Change in depreciation in excess of plan, equipment	2	-1
Total	2	-1

P13
Taxes
Income tax expense

EURm	2015	2014
Current tax	-303	-176
Deferred tax	18	-13
Total	-285	-189

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2015	2014
Profit before tax	2,205	2,614
Tax calculated at a tax rate of 22.0%	-485	-575
Tax-exempt income	381	431
Non-deductible expenses	-81	-16
Adjustments relating to prior years	-100	-29
Tax charge	-285	-189
Average effective tax rate	13%	7%

Deferred tax

EURm	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
Deferred tax related to:				
Derivatives	4	10	-	-
Properties and equipment	-	-	11	9
Retirement benefit obligations	7	3	-	-
Liabilities/provisions	26	10	0	0
Netting between deferred tax assets and liabilities	-11	-9	-11	-9
Total	26	14	0	0

P14
Treasury bills

EURm	31 Dec 2015	31 Dec 2014
State and sovereigns	6,086	4,328
Municipalities and other public bodies ¹	819	750
Total	6,905	5,078
- of which Financial instruments pledged as collateral (Note P17)	-	43
Total	6,905	5,035

¹ Of which EUR 32m (EUR 0m) held at amortised cost with a nominal amount of EUR 32m (EUR 0m).

P15

Loans and impairment

EURm	Credit institutions		The public		Total	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	90,011	86,706	45,591	39,501	135,602	126,207
Impaired loans	–	–	629	636	629	636
– Performing	–	–	309	312	309	312
– Non-performing	–	–	320	324	320	324
Loans before allowances	90,011	86,706	46,220	40,137	136,231	126,843
Allowances for individually assessed impaired loans	–	–	–314	–254	–314	–254
– Performing	–	–	–120	–127	–120	–127
– Non-performing	–	–	–194	–127	–194	–127
Allowances for collectively assessed impaired loans	–2	–2	–86	–74	–88	–76
Allowances	–2	–2	–400	–328	–402	–330
Loans, carrying amount	90,009	86,704	45,820	39,809	135,829	126,513

Movements of allowance accounts for impaired loans

EURm	Credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2015	–	–2	–2	–254	–74	–328	–254	–76	–330
Provisions	–	0	0	–143	–32	–175	–143	–32	–175
Reversals of previous provisions	–	1	1	60	24	84	60	25	85
Changes through the income statement	–	1	1	–83	–8	–91	–83	–7	–90
Allowances in sold and acquired loan portfolios	–	–	–	–6	–4	–10	–6	–4	–10
Allowances used to cover realised loan losses	–	–	–	34	–	34	34	–	34
Translation differences	–	–1	–1	–5	0	–5	–5	–1	–6
Closing balance at 31 Dec 2015	–	–2	–2	–314	–86	–400	–314	–88	–402
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 sold and acquired loan portfolios	–	–	–	–150	–26	–176	–150	–26	–176
Allowances used to cover realised loan losses	–	–	–	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

P15

Loans and impairment, cont.

Allowances and provisions¹

EURm	Credit institutions		The public		Total	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Allowances for items on the balance sheet	-2	-2	-400	-328	-402	-330
Provisions for off balance sheet items	-181	-162	-2	-1	-183	-163
Total allowances and provisions	-183	-164	-402	-329	-585	-493

1) Included in Note P31 "Provisions" as "Transfer risk" and "Guarantees".

Key ratios

	31 Dec 2015	31 Dec 2014
Impairment rate, gross, basis points	46	50
Impairment rate, net, basis points	23	30
Total allowance rate, basis points	29	26
Allowances in relation to impaired loans, %	50	40
Total allowances in relation to impaired loans, %	64	52
Non-performing loans, not impaired, EURm	41	68

P16

Interest-bearing securities

EURm	31 Dec 2015	31 Dec 2014
Issued by public bodies	45	43
Issued by other borrowers ¹	12,118	11,278
Total	12,163	11,321
Listed securities	12,163	11,166
Unlisted securities	–	155
Total	12,163	11,321

1) Of which EUR 30m (EUR 111m) held at amortised cost with a nominal amount of EUR 30m (EUR 112m).

P18

Shares

EURm	31 Dec 2015	31 Dec 2014
Shares	2,363	6,060
Shares taken over for protection of claims	0	1
Total	2,363	6,061
Listed shares	2,331	6,029
Unlisted shares	32	32
Total	2,363	6,061

P17

Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2015	31 Dec 2014
Treasury bills	–	43
Total	–	43

For more information on transferred assets, see Note P44 "Transferred assets and obtained collaterals".

P19

Derivatives and hedge accounting

31 Dec 2015, EURm	Fair value		Total nom. amount
	Positive	Negative	
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	1,913	1,983	200,183
FRAs	9	10	57,952
Futures and forwards	0	0	2,696
Options	84	84	62,092
Other	3	2	11,307
Total	2,009	2,079	334,230
Equity derivatives			
Equity swaps	116	137	253
Futures and forwards	–	1	19
Options	57	9	334
Total	173	147	606
Foreign exchange derivatives			
Currency and interest rate swaps	630	531	16,869
Currency forwards	47	345	27,949
Total	677	876	44,818
Credit derivatives	5	1	299
Other derivatives	–	6	1,668
Total derivatives held for trading	2,864	3,109	381,621
Derivatives used for hedge accounting			
Interest rate derivatives	1,427	232	45,711
Foreign exchange derivatives	720	839	10,243
Total derivatives used for hedge accounting	2,147	1,071	55,954
– of which fair value hedges ¹	1,612	238	50,768
– of which cash flow hedges ¹	535	833	10,243
Total derivatives	5,011	4,180	437,575

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 2014, EURm	Fair value		Total nom. amount
	Positive	Negative	
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	0	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.

P20 Investments in group undertakings

EURm	31 Dec 2015	31 Dec 2014
Acquisition value at beginning of year	17,611	18,347
Acquisitions/capital contributions during the year	2,754	56
Revaluations under hedge accounting	-298	-425
IFRS 2 expenses ¹	1	9
Sales during the year	-40	-376
Acquisition value at end of year	20,028	17,611
Accumulated impairment charges at beginning of year	-625	-624
Accumulated impairment charges on group undertakings sold during the year	–	14
Impairment charges during the year	-9	-15
Accumulated impairment charges at end of year	-634	-625
Total	19,394	16,986
– of which listed shares	–	–

1) Allocation of IFRS 2 expenses for LTIP 2012 related to the group undertakings.

P20 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 2015	Number of shares	Carrying amount 2015, EURm	Carrying amount 2014, EURm	Voting power of holding %	Domicile	Registration number
Nordea Bank Finland Plc	1,030,800,000	7,962	5,962	100.0	Helsinki	1680235-8
Nordea Finance Finland Ltd				100.0	Helsinki	0112305-3
Nordea Bank Danmark A/S	50,000,000	4,020	4,024	100.0	Copenhagen	13522197
Nordea Finans Danmark A/S				100.0	Høje Taastrup	89805910
Nordea Kredit Realkreditatieselskab				100.0	Copenhagen	15134275
Fionia Asset Company A/S				100.0	Copenhagen	31934745
Nordea Bank Norge ASA	551,358,576	2,811	2,428	100.0	Oslo	911044110
Nordea Eiendoms kreditt AS				100.0	Oslo	971227222
Nordea Finans Norge AS				100.0	Oslo	924507500
Privatmegleren AS				100.0	Oslo	986386661
LLC Promyshlennaya Kompaniya Vestkon	4,601,942,680 ¹	659	659	100.0	Moscow	1027700034185
JSC Nordea Bank				100.0	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
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

P20

Investments in group undertakings, cont.

31 Dec 2015	Number of shares	Carrying amount 2015, EURm	Carrying amount 2014, EURm	Voting power of holding %	Domicile	Registration number
Nordea Funds Ltd	3,350	385	174	100.0	Helsinki	1737785–9
Nordea Bank S.A.	999,999	455	455	100.0	Luxembourg	B–14157
Nordea Hypotek AB (publ) ²	100,000	1,900	1,874	100.0	Stockholm	556091–5448
Nordea Nordic Baltic 1 AB ³	15,000	–	242	100.0	Stockholm	556020–4694
Nordea Finans Sverige AB (publ) ²	1,000,000	118	104	100.0	Stockholm	556021–1475
Nordea Investment Management AB	12,600	231	231	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	30	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, Brazil	51.696.268/0001–40
Nordic Baltic Holding (NBH) AB	1,000	26	0	100.0	Stockholm	556592–7950
Nordea Fastigheter AB ³	3,380,000	–	1	100.0	Stockholm	556021–4917
Promano Est OÜ	1	10	10	100.0	Tallinn, Estonia	11681888
Uus-Sadama 11 OÜ	1	0	0	100.0	Tallinn, Estonia	11954914
SIA Promano Lat	21,096	12	14	100.0	Riga, Latvia	40103235197
SIA Realm	7,034	6	7	100.0	Riga, Latvia	50103278681
SIA Lidosta RE	765	1	1	100.0	Riga, Latvia	40103424424
SIA Trioleta	2,786	4	4	99.9	Riga, Latvia	40103565264
Promano Lit UAB	34,528	11	11	100.0	Vilnius, Lithuania	302423219
UAB Recurso	15,000	5	5	100.0	Vilnius, Lithuania	302784511
UAB Inrec	6,900	–	2	100.0	Vilnius, Lithuania	302996806
Total		19,394	16,986			

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank AB directly 7.2% and indirectly 92.8% through LLC Promyshlennaya Kompaniya Vestkon.

2) Credit institutions as defined in the Swedish Annual Account Act for Credit Institutions and Securities Companies (1995:1559).

3) Transferred to Nordea Baltic Holding AB in September 2015.

P21

Investments in associated undertakings

EURm	31 Dec 2015	31 Dec 2014
Acquisition value at beginning of year	7	7
Acquisition value at end of year	7	7
– of which listed shares	–	–

P22

Intangible assets

EURm	31 Dec 2015	31 Dec 2014
Goodwill allocated to cash generating units		
Retail Banking	284	305
Goodwill, total	284	305
Computer software	766	416
Other intangible assets	41	37
Other intangible assets, total	807	453
Intangible assets, total	1,091	758
Movements in goodwill		
Acquisition value at beginning of year	1,059	1,059
Acquisition during the year	35	–
Acquisition value at end of year	1,094	1,059
Accumulated amortisation at beginning of year	–754	–705
Amortisation according to plan for the year	–56	–49
Accumulated amortisation at end of year	–810	–754
Total	284	305
Movements in computer software		
Acquisition value at beginning of year	682	465
Acquisitions during the year	388	217
Disposals during the year	–209	–
Acquisition value at end of year	861	682
Accumulated amortisation at beginning of year	–120	–89
Amortisation according to plan for the year	–31	–31
Accumulated amortisation on disposals	63	–
Accumulated amortisation at end of year	–88	–120
Accumulated impairment charges at beginning of year	–146	–9
Accumulated impairment charges on disposals during the year	146	–
Impairment charges during the year	–7	–142
Reclassifications	–	5
Accumulated impairment charges at end of year	–7	–146
Total	766	416
Movements in other intangible assets		
Acquisition value at beginning of year	89	48
Acquisitions during the year	23	41
Disposals during the year	–6	–
Acquisition value at end of year	106	89
Accumulated amortisation at beginning of year	–51	–40
Amortisation according to plan for the year	–17	–11
Accumulated amortisation on disposals during the year	6	–
Accumulated amortisation at end of year	–62	–51
Accumulated impairment at beginning of year	–1	–
Accumulated impairment charges on disposals during the year	1	–1
Impairment charges during the year	–3	–1
Accumulated impairment charges at end of year	–3	–1
Total	41	37

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. See Note G19 “Intangible assets” and Note G1 “Accounting policies” section 4 for more information.

P23
Properties and equipment

EURm	31 Dec 2015	31 Dec 2014
Properties and equipment	138	119
– of which buildings for own use	0	0
Total	138	119
Movements in equipment		
Acquisition value at beginning of year	266	268
Acquisitions during the year	55	30
Sales/disposals during the year	–14	–32
Acquisition value at end of year	307	266
Accumulated depreciation at beginning of year	–147	–150
Accumulated depreciation on sales/disposals during the year	4	30
Depreciations according to plan for the year	–26	–27
Accumulated depreciation at end of year	–169	–147
Total	138	119

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 2015	31 Dec 2014
Leasing expenses during the year	–141	–117
– of which minimum lease payments	–137	–117
– of which contingent rents	–4	–
Leasing income during the year regarding sublease payments	13	14

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

EURm	31 Dec 2015
2016	88
2017	69
2018	59
2019	44
2020	36
Later years	244
Total	540

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 237m. EUR 224m of the subleases are towards group undertakings.

P24
Other assets

EURm	31 Dec 2015	31 Dec 2014
Claims on securities settlement proceeds	403	276
Cash/margin receivables	1,010	–
Anticipated dividends from group undertakings	1,296	1,109
Group contributions	615	644
Other	1,063	1,698
Total	4,387	3,727

P25 Prepaid expenses and accrued income

EURm	31 Dec 2015	31 Dec 2014
Accrued interest income	109	115
Other accrued income	101	81
Prepaid expenses	570	688
Total	780	884

P26 Deposits by credit institutions

EURm	31 Dec 2015	31 Dec 2014
Central banks	2,550	2,418
Banks	15,672	24,258
Other credit institutions	847	776
Total	19,069	27,452

P27 Deposits and borrowings from the public

EURm	31 Dec 2015	31 Dec 2014
Deposits	60,423	48,176
Borrowings	620	1,191
Total	61,043	49,367

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.

P31 Provisions

EURm	31 Dec 2015	31 Dec 2014
Restructuring	116	42
Transfer risk	–	1
Guarantees	183	162
Other	2	1
Total	301	206

	Restructuring	Transfer risk	Guarantees	Other	Total
At beginning of year	42	1	162	1	206
New provisions made	94	0	42	1	137
Provisions utilised	–20	0	0	0	–20
Reversals	–1	–1	–21	0	–23
Translation differences	1	0	0	0	1
At end of year	116	0	183	2	301

Provision for restructuring costs amounts to EUR 116m and covers termination benefits (EUR 96m) and other provisions mainly related to redundant premises (EUR 20m). Loan loss provisions for guarantees amounts to EUR 183m, of which EUR 180m covers the guarantee in favour of Nordea Bank Finland Plc.

P28 Debt securities in issue

EURm	31 Dec 2015	31 Dec 2014
Certificates of deposit	7,460	55
Commercial papers	23,244	29,246
Bond loans	38,138	33,908
Other	66	71
Total	68,908	63,280

P29 Other liabilities

EURm	31 Dec 2015	31 Dec 2014
Liabilities on securities settlement proceeds	69	215
Sold, not held, securities	136	285
Cash/margin payables	1,982	–
Accounts payable	15	22
Other	1,329	2,373
Total	3,531	2,895

P30 Accrued expenses and prepaid income

EURm	31 Dec 2015	31 Dec 2014
Accrued interest	6	13
Other accrued expenses	526	443
Prepaid income	227	186
Total	759	642

P32 Retirement benefit obligations

Pension provisions

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions in the balance sheet pertain to former employees of Postgirot Bank and pension obligations in foreign branches. EUR 129m (EUR 124 m) 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 2015	31 Dec 2014
Present value of commitments relating to in whole or in part funded pension plans	-1,323	-1,155
Fair value at the end of the period relating to specifically separated assets	1,421	1,384
Surplus in the pension foundation	98	229
Present value of commitments relating to unfunded pension plans	-159	-171
Unrecognised surplus in the pension foundation	-98	-229
Reported liability net on the balance sheet	-159	-171

Movements in the liability recognised on balance sheet as pension

EURm	31 Dec 2015	31 Dec 2014
Balance at 1 Jan recognised as pension commitments	171	166
Pensions paid related to former employees of Postgirot Bank	-7	-7
Actuarial pension calculations through Profit and Loss	14	12
Actuarial pension calculations through Balance Sheet	-18	10
Effect of exchange rate changes	-1	-10
Balance at 31 Dec	159	171

Specification of cost and income in respect of pensions

EURm	2015	2014
Pensions paid related to former employees of Postgirot Bank	-7	-7
Pensions paid covered by the pension foundation	-63	-61
Actuarial pension calculations	-7	-5
Defined benefit plans	-77	-73
Defined contribution plans	-69	-61
Pension costs¹	-146	-134
Return on specifically separated assets, %	2.5	12.4

1) See Note P8 "Staff costs".

Actual value of holdings in pension foundations

EURm	31 Dec 2015	31 Dec 2014
Shares	370	353
Interest-bearing securities	1,004	1,004
Other assets	47	27
Total	1,421	1,384

P32 Retirement benefit obligations, cont.

Main assumptions for defined benefit obligations

	2015	2014
Discount rate	1.6%	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 70m.

P33 Subordinated liabilities

EURm	31 Dec 2015	31 Dec 2014
Dated subordinated debenture loans	5,949	4,435
Hybrid capital loans	3,002	3,293
Total	8,951	7,728

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

The carrying amount at year end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 386 m (EUR 417 m).

At 31 December 2015 six 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	1,250	1,142	Fixed
Dated loan ²	750	749	Fixed
Dated loan ³	1,000	998	Fixed
Dated loan ⁴	750	747	Fixed
Dated loan ⁵	1,000	911	Fixed
Dated loan ⁶	750	743	Fixed

1) Maturity date 13 May 2021.

2) Call date 15 February 2017, maturity date 15 February 2022.

3) Maturity date 2 March 2020.

4) Maturity date 29 March 2021.

5) Maturity date 21 September 2022.

6) Call date 10 November 2020, maturity date 10 November 2025.

P34 Untaxed reserves

EURm	31 Dec 2015	31 Dec 2014
Accumulated excess depreciation, equipment	2	4

P35 Assets pledged as security for own liabilities

EURm	31 Dec 2015	31 Dec 2014
Assets pledged for own liabilities		
Securities etc ¹	1,208	3,946
Total	1,208	3,946

The above pledges pertain to the following liabilities

Deposits by credit institutions	337	2,508
Deposits and borrowings from the public	1,014	268
Total	1,351	2,776

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 P44 "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.

P36 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 7,686m (EUR 9,238m). 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.

P37 Contingent liabilities

EURm	31 Dec 2015	31 Dec 2014
Guarantees		
– Loan guarantees	69,576	70,024
– Other guarantees	2,667	918
Other contingent liabilities	159	161
Total	72,402	71,103

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 subsidiary JSC Nordea Bank where Nordea Bank AB (publ) guarantees specified exposures in JSC Nordea Bank. At 31 December 2015 the guarantees cover exposures amounting to EUR 2bn. 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 60 bn 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 7bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 5bn of derivatives are covered by the guarantee as of 31 December 2015. The maximum amount of derivatives guaranteed is EUR 10bn. The guarantee increased the REA by EUR 10bn. The guarantee will generate commission income, while the losses recognized 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.

P38 Commitments

EURm	31 Dec 2015	31 Dec 2014
Credit commitments	10,988	9,710
Unutilised portion of approved overdraft facilities	16,658	14,114
Other commitments	281	–
Total	27,927	23,824

For information about derivatives see Note P19 "Derivatives and hedge accounting".

P39

Capital adequacy

Table A2 Transitional own funds

For information of the capital adequacy regulations see Note G37 “Capital adequacy”.

	(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
Common Equity Tier 1 capital: instruments and reserves		
1 Capital instruments and the related share premium accounts	5,130	–
of which: Share capital	4,050	–
2 Retained earnings	13,050	–
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–21	–
5a Independently reviewed interim profits net of any foreseeable charge or dividend	–664	0
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	17,495	–
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	–19	–
8 Intangible assets (net of related tax liability) (negative amount)	–1,091	–
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	16	–
12 Negative amounts resulting from the calculation of expected loss amounts	0	0
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–28	–
15 Defined-benefit pension fund assets (negative amount)	0	0
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	–
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	0	–
Of which: ...filter for unrealised loss 1	0	19
Of which: ...filter for unrealised gain 1	0	137
28 Total regulatory adjustments to Common equity Tier 1 (CET1)	–1,121	–
29 Common Equity Tier 1 (CET1) capital	16,373	–
Additional Tier 1 (AT1) capital: instruments		
30 Capital instruments and the related share premium accounts	2,241	–
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	729	0
36 Additional Tier 1 (AT1) capital before regulatory adjustments	2,970	–
Additional Tier 1 (AT1) capital: regulatory adjustments		
37 Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	–30	–
44 Additional Tier 1 (AT1) capital	2,941	–
45 Tier 1 capital (T1 = CET1 + AT1)	19,314	–
Tier 2 (T2) capital: instruments and provisions		
46 Capital instruments and the related share premium accounts	5,686	–
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	–
50 Credit risk adjustments	109	–
51 Tier 2 (T2) capital before regulatory adjustments	5,795	–

P39

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)	-58	–
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)	-1,501	–
57	Total regulatory adjustments to Tier 2 (T2) capital	-1,560	–
58	Tier 2 (T2) capital	4,235	–
59	Total capital (TC = T1 + T2)	23,549	–
60	Total risk weighted assets	87,032	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.8%	–
62	Tier 1 (as a percentage of risk exposure amount)	22.2%	–
63	Total capital (as a percentage of risk exposure amount)	27.1%	–
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)	2.9%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.4%	–
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)	14.3%	–
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)	1	–
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)	746	–
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)	27	–
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)	35,613	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	214	–
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	1,379	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	–
84	Current cap on T2 instruments subject to phase out arrangements	350	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	–

P39

Capital adequacy, cont.

Minimum capital requirement and REA

EURm	31 Dec 2015		31 Dec 2014	
	Minimum capital requirement	REA	Minimum capital requirement	REA
Credit risk	6,346	79,328	5,759	71,986
- of which counterparty credit risk	133	1,660	100	1,249
IRB	2,849	35,613	2,674	33,429
- corporate	2,367	29,584	2,130	26,622
- advanced	1,717	21,467	1,461	18,257
- foundation	649	8,117	669	8,365
- institutions	256	3,195	302	3,777
- retail	125	1,562	148	1,854
- secured by immovable property collateral	7	84	7	86
- other retail	118	1,479	141	1,768
- other	102	1,272	94	1,176
Standardised	3,497	43,715	3,085	38,557
- central governments or central banks	5	66	14	174
- regional governments or local authorities	2	19	1	8
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	1,279	15,986	1,319	16,481
- corporate	42	529	57	718
- retail	26	323	28	345
- secured by mortgages on immovable properties	212	2,646	202	2,530
- in default	3	43	5	60
- associated with particularly high risk	–	–	–	–
- covered bonds	0	0	0	0
- institutions and corporates with a short-term	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	1,925	24,065	1,451	18,139
- other items	3	36	8	102
Credit Value Adjustment Risk	12	156	14	172
Market risk	210	2,623	218	2,724
- trading book, Internal Approach	23	288	42	524
- trading book, Standardised Approach ¹	–	–	2	26
- banking book, Standardised Approach	187	2,335	174	2,174
Operational risk	378	4,730	322	4,028
Standardised	378	4,730	322	4,028
Additional risk exposure amount due to Article 3 CRR	16	195	–	–
Sub total	6,963	87,032	6,313	78,910
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	–	–	–	–
Total	6,963	87,032	6,313	78,910

1) Market risk – of which trading book, Standardised Approach, have been restated for 2014.

Leverage ratio

	31 Dec 2015	31 Dec 2014
Tier 1 capital, transitional definition, EURm ¹	19,314	20,047
Leverage ratio exposure, EURm	227,029	225,148
Leverage ratio, percentage	8.5	8.9

1) Including profit of the period.

More Capital Adequacy information can be found in the section “Risk, Liquidity and Capital Management”.

P39

Capital adequacy, cont.

Capital requirements for market risk, 31 December 2015

EURm	Trading book, IA		Trading book, SA		Banking book, SA		Total	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other ¹	16	1	–	–	–	–	16	1
Equity risk	122	10	–	–	–	–	122	10
Foreign exchange risk	23	2	–	–	2,335	187	2,357	189
Commodity risk	–	–	–	–	–	–	–	–
Settlement risk	–	–	–	–	–	–	–	–
Diversification effect	–9	–1	–	–	–	–	–9	–1
Stressed Value-at-Risk	136	11	–	–	–	–	136	11
Incremental Risk Measure	0	0	–	–	–	–	0	0
Comprehensive Risk Measure	–	–	–	–	–	–	–	–
Total	288	23	–	–	2,335	187	2,623	210

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
<i>Regulatory treatment</i>		
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	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
<i>Coupons / dividends</i>		
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 hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

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Capital adequacy, cont.
Table A4 – Capital instruments' main features – AT
Additional Tier 1 instrument

1	Issuer	Nordea Bank AB (publ)							
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
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 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	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							
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1				
6	Eligible at solo/(sub-)consolidated/solo & (sub-)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 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 153m	EUR 76m	EUR 912m	EUR 455m	EUR 243m	EUR 129m	EUR 502m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 153m	JPY 10,000m / EUR 76m	USD 1,000m / EUR 919m	USD 500m / EUR 459m	SEK 2,250m / EUR 245m	NOK 1,250m / EUR 130m	USD 550m / EUR 505m
9a	Issue price	100 per cent							
9b	Redemption price	100 per cent of Nominal amount							
10	Accounting classification	Liability – amortised cost							
11	Original date of issuance	17-Sep-2004	04-Mar-2005	12-Oct-2005	23-Sep-2014	23-Sep-2014	12-Mar-2015	12-Mar-2015	12-Mar-2015
12	Perpetual or dated	Perpetual							
13	Original maturity date	No maturity							
14	Issuer call subject to prior supervisory approval	Yes							
15	Optional call date, contingent call dates and redemption amount	17-Sep-2009 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-2035 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-2035 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2019 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2024 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	13-Sep-2021 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	12-Apr and 12-Oct 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	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date

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Capital adequacy, cont.

Additional Tier 1 instrument

Coupons / dividends

17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	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 USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit + 1.40 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	Floating 3-month STIBOR + 3.10 per cent per annum	Floating 3-month NIBOR + 3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap + 3.244 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	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	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Non-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	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	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	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	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	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 distributable 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	Fully discretionary, if a positive net profit of both Issuer and Group	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 hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No
37	If yes, specify 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	N/A	N/A	N/A	N/A	N/A

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Capital adequacy, cont.

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
<i>Regulatory treatment</i>						
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 845m (84.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 747m	EUR 1,142m	EUR 749m	EUR 911m
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,148m	EUR 750m	USD 1,000m / EUR 919m
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-2010	29-Sep-2010	13-May-2011	15-Feb-2012	21-Sep-2012
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	26-Mar-2020	29-Mar-2021	13-May-2021	15-Feb-2022	21-Sep-2022
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-2017 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A

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Capital adequacy, cont.

Nordea Bank AB (publ)			
XS1292434146	XS1292433767	N/A	XS1317439559
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
Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2
Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
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
EUR 185m	EUR 250m	EUR 114m	EUR 743m
SEK 1,700m / EUR 185m	SEK 2,300m / EUR 250m	JPY 15,000m / EUR 114m	EUR 750m
100 per cent	100 per cent	100 per cent	99.434 per cent
100 per cent of Nominal amount			
Liability – amortised cost			
17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015
Dated	Dated	Dated	Dated
17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025
Yes	Yes	Yes	Yes
17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call 100 per cent of nominal amount
17-Mar, 17-Jun, 17-Sep and 17-Dec each year after first call date	17-Sep each year after first call date	N/A	10-Nov each year after first call date

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Capital adequacy, cont.

Table A5 – Capital instruments' main features – T2, cont.

Tier 2 instrument

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	4.250%
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	Noncumulative 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
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy 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

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Capital adequacy, cont.

Floating	Fixed	Fixed	Fixed
Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap + 1.5 per cent per annum	1.160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap + 1.7 per cent per annum
No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible
No	No	No	No
Senior debt	Senior debt	Senior debt	Senior debt
No	No	No	No

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Classification of financial instruments

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss			Derivatives used for hedging	Available for sale	Non-financial assets, group/associated undertakings	Total
			Held for trading	Designated at fair value through profit or loss					
Assets									
Cash and balances with central banks	75	–	–	–	–	–	–	–	75
Treasury bills	32	–	3,999	–	–	2,874	–	–	6,905
Loans to credit institutions	90,005	–	4	0	–	–	–	–	90,009
Loans to the public	41,104	–	4,716	–	–	–	–	–	45,820
Interest-bearing securities	28	2	3,963	86	–	8,084	–	–	12,163
Financial instruments pledged as collateral	–	–	–	–	–	–	–	–	–
Shares	–	–	2,330	33	–	–	–	–	2,363
Derivatives	–	–	2,863	–	2,148	–	–	–	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1	–	–	–	–	–	–	–	1
Investments in group undertakings	–	–	–	–	–	–	19,394	–	19,394
Investments in associated undertakings	–	–	–	–	–	–	7	–	7
Intangible assets	–	–	–	–	–	–	1,091	–	1,091
Property and equipment	–	–	–	–	–	–	138	–	138
Deferred tax assets	–	–	–	–	–	–	26	–	26
Current tax assets	–	–	–	–	–	–	3	–	3
Other assets	629	–	–	1,010	–	–	2,748	–	4,387
Prepaid expenses and accrued income	679	–	–	–	–	–	101	–	780
Total	132,553	2	17,875	1,129	2,148	10,958	23,508	–	188,173

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss					Other financial liabilities	Non-financial liabilities	Total
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging					
Liabilities								
Deposits by credit institutions	–	337	983	–	–	17,749	–	19,069
Deposits and borrowings from the public	–	1,014	683	–	–	59,346	–	61,043
Debt securities in issue	–	–	–	–	–	68,908	–	68,908
Derivatives	–	3,109	–	1,071	–	–	–	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	–	–	1,158	–	1,158
Current tax liabilities	–	–	–	–	–	–	34	34
Other liabilities	–	136	1,982	–	–	330	1,083	3,531
Accrued expenses and prepaid income	–	–	–	–	–	232	527	759
Deferred tax liabilities	–	–	–	–	–	–	–	–
Provisions	–	–	–	–	–	–	301	301
Retirement benefit liabilities	–	–	–	–	–	–	159	159
Subordinated liabilities	–	–	–	–	–	8,951	–	8,951
Total	–	4,596	3,648	1,071	–	156,674	2,104	168,093

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Classification of financial instruments, cont.

31 Dec 2014, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss			Derivatives used for hedging	Available for sale	Non-financial assets, group/associated undertakings	Total
			Held for trading	Designated at fair value through profit or loss					
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	20,946	178,431	

31 Dec 2014, 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		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

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Classification of financial instruments, cont.

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.

Changes in fair values of financial assets attributable to changes in credit risk

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.

Comparison of carrying amount and contractual amount to be paid at maturity

	Carrying amount	Amount to be paid at maturity
2015, EURm		
Financial liabilities designated at fair value through profit or loss	3,648	3,648

	Carrying amount	Amount to be paid at maturity
2014, EURm		
Financial liabilities designated at fair value through profit or loss	2,492	2,492

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Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2015		31 Dec 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	75	75	931	931
Treasury bills	6,905	6,905	5,035	5,035
Loans	135,830	136,258	126,514	126,518
Interest-bearing securities	12,163	12,163	11,321	11,322
Financial instruments pledged as collateral	–	–	43	43
Shares	2,363	2,363	6,061	6,061
Derivatives	5,011	5,011	5,981	5,981
Other assets	1,639	1,639	796	796
Prepaid expenses and accrued income	679	679	803	803
Total financial assets	164,665	165,093	157,485	157,490
Financial liabilities				
Deposits and debt instruments	159,129	159,080	149,195	149,792
Derivatives	4,180	4,180	4,653	4,653
Other liabilities	2,448	2,448	728	728
Accrued expenses and prepaid income	232	232	198	198
Total financial liabilities	165,989	165,940	154,774	155,371

For information about valuation of items measured at fair value on the balance sheet, see Note G1 “Accounting policies” and the section “Determination of fair value items measured at fair value on the balance sheet” in Note G39 “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 the balance sheet”, in Note G39.

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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 2015, 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 sheet¹				
Treasury bills	2,613	4,260	–	6,873
Loans to credit institutions	–	4	–	4
Loans to the public	–	4,716	–	4,716
Interest-bearing securities ²	6,944	5,034	155	12,133
Shares	2,334	–	29	2,363
Derivatives	4	4,983	24	5,011
Other assets	–	1,010	–	1,010
Total	11,895	20,007	208	32,110
Liabilities at fair value on the balance sheet¹				
Deposits by credit institutions	–	1,320	–	1,320
Deposits and borrowings from the public	–	1,697	–	1,697
Derivatives	7	4,150	23	4,180
Other liabilities	–	2,118	–	2,118
Total	7	9,285	23	9,315

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

2) Of which EUR 0m relates to the balance sheet item Financial instruments pledged as collateral.

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 sheet¹				
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 sheet¹				
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.

For determination of fair values for items measured at fair value on the balance sheet, see Note G39 “Assets and liabilities at fair value”.

Transfers between Level 1 and 2

No transfers between Level 1 and 2 have occurred during the year. During 2014 the parent company transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 570m from Level 2 to Level 1 of the fair value hierarchy. 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. Transfers between levels are considered to have occurred at the end of the year.

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Assets and liabilities at fair value, cont.

Movements in Level 3

31 Dec 2015, EURm	1 Jan 2015	Purchases	Transfers into level 3	Transfers out of level 3	31 Dec 2015
Interest-bearing securities	155	–	–	–	155
Shares	29	–	–	–	29
Derivatives (net)	8	–1	–1	–5	1

During the year Nordea Bank AB transferred derivatives (net) of EUR –5m from Level 3 to Level 2 and EUR –1m 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.

31 Dec 2014, EURm	1 Jan 2014	Reclassification	Fair value gains/losses recognised in the income statement during the year			31 Dec 2014
			Realised	Unrealised	Sales	
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.

The valuation processes for fair value measurements in Level 3 Financial instruments

For information about the valuation processes, see Note G39 “Assets and liabilities at fair value”.

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

31 Dec 2015, 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	–	+/-0
Total	29			+/-0
Derivatives				
Interest rate derivatives	1	Option model	Corrections, Volatilities	+/-0
Total	1			+/-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.

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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	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, Volatilities	+/-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.

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 G39 “Financial assets and liabilities not held at fair value”.

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

31 Dec 2015, EURm	31 Dec 2015		31 Dec 2014		Level in fair value hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	75	75	931	931	3
Treasury bills ^{1,2}	32	32	0	0	3
Loans	131,110	131,538	121,063	121,068	3
Interest-bearing securities ²	30	30	122	123	1, 2, 3
Other assets	629	629	786	786	3
Prepaid expenses and accrued income	679	679	803	803	3
Total	132,555	132,983	123,705	123,711	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	156,112	156,063	143,927	144,524	3
Other liabilities	330	330	443	443	3
Accrued expenses and prepaid income	232	232	198	198	3
Total	156,674	156,625	144,568	145,165	

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 62m (EUR 123m), of which EUR 2m (EUR 54m) is categorised in level 1 and EUR 0m (EUR 69m) in level 2 and EUR 60m (EUR 0m) in level 3 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 G39 “Financial assets and liabilities not held at fair value”.

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Financial instruments set off on balance or subject to netting agreements

31 Dec 2015, 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			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	4,696	-320	4,376	-2,111	–	-1,854	411
Securities borrowing agreements	4,718	–	4,718	–	-4,718	–	0
Total	9,414	-320	9,094	-2,111	-4,718	-1,854	411

31 Dec 2015, 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			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	4,289	-320	3,969	-2,111	–	-130	1,728
Securities lending agreements	1,351	–	1,351	–	-1,351	–	0
Total	5,640	-320	5,320	-2,111	-1,351	-130	1,728

1) All amounts are measured at fair value.

2) Securities borrowing agreements are on the balance sheet classified as "Loans to credit institutions" or "Loans to the public". Securities lending agreements are on the balance sheet classified as "Deposits by credit institution" or as "Deposits and borrowings from the public".

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			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
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			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
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".

For more information about the master netting arrangements and similar agreements see section "Enforcable master netting arrangements and similar agreements" in Note G40 "Financial instruments set off on balance or subject to netting agreements".

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Assets and liabilities in foreign currencies

31 Dec 2015, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	58.6	55.3	6.4	2.2	37.0	28.7	188.2
Total liabilities	37.9	55.9	6.4	2.2	37.0	28.7	168.1

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

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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 2015	31 Dec 2014
Repurchase agreements		
Treasury bills	–	43
Total	–	43

Liabilities associated with the assets

EURm	31 Dec 2015	31 Dec 2014
Repurchase agreements		
Deposits by credit institutions	–	43
Total	–	43

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 2015	31 Dec 2014
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	–	214
– of which repledged or sold	–	–
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,718	5,232
– of which repledged or sold	4,718	5,232
Total	4,718	5,446

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Maturity analysis for assets and liabilities

Expected maturity

	31 Dec 2015, EURm			31 Dec 2014, 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		75	–	75	931	–	931
Treasury bills	P14	3,295	3,610	6,905	–	5,035	5,035
Loans to credit institutions	P15	60,125	29,884	90,009	62,067	24,637	86,704
Loans to the public	P15	37,993	7,827	45,820	34,829	4,980	39,809
Interest-bearing securities	P16	2,165	9,998	12,163	3,849	7,472	11,321
Financial instruments pledged as collateral	P17	–	–	–	43	–	43
Shares	P18	2,330	33	2,363	6,028	33	6,061
Derivatives	P19	994	4,017	5,011	1,520	4,461	5,981
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	1	1	–	1	1
Investments in group undertakings	P20	30	19,364	19,394	30	16,956	16,986
Investments in associated undertakings	P21	–	7	7	–	7	7
Intangible assets	P22	–	1,091	1,091	–	758	758
Property and equipment	P23	–	138	138	0	119	119
Deferred tax assets	P13	20	6	26	11	3	14
Current tax assets		3	–	3	50	–	50
Other assets	P24	4,387	–	4,387	3,727	–	3,727
Prepaid expenses and accrued income	P25	412	368	780	496	388	884
Total assets		111,829	76,344	188,173	113,581	64,850	178,431
Deposits by credit institutions	P26	12,693	6,376	19,069	15,595	11,857	27,452
Deposits and borrowings from the public	P27	60,367	676	61,043	48,948	419	49,367
Debt securities in issue	P28	32,726	36,182	68,908	33,755	29,525	63,280
Derivatives	P19	1,151	3,029	4,180	1,023	3,630	4,653
Fair value changes of the hedged items in portfolio hedge of interest rate risk		296	862	1,158	178	1,190	1,368
Current tax liabilities		34	–	34	4	–	4
Other liabilities	P29	3,531	–	3,531	2,895	–	2,895
Accrued expenses and prepaid income	P30	759	–	759	642	–	642
Deferred tax liabilities	P13	0	0	0	0	–	0
Provisions	P31	299	2	301	43	163	206
Retirement benefit liabilities	P32	8	151	159	–	171	171
Subordinated liabilities	P33	642	8,309	8,951	–	7,728	7,728
Total liabilities		112,506	55,587	168,093	103,083	54,683	157,766

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Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	96	1,823	4,786	407	7,112
Loans to credit institutions	3,456	50,765	14,488	18,984	3,378	91,071
Loans to the public	1,138	13,205	6,059	19,836	9,202	49,440
Interest-bearing securities	–	2,338	1,666	9,084	834	13,922
Other	–	33,443	–	–	–	33,443
Total financial assets	4,594	99,847	24,036	52,690	13,821	194,988
Deposits by credit institutions	3,243	8,866	2,258	4,385	405	19,157
Deposits and borrowings from the public	52,019	7,137	1,633	270	1	61,060
– of which Deposits	52,019	6,123	1,633	270	1	60,046
– of which Borrowings	–	1,014	–	–	–	1,014
Debt securities in issue	–	25,506	11,752	32,648	12,419	82,325
– of which Debt securities in issue	–	25,332	11,580	27,180	7,278	71,370
– of which Other	–	174	172	5,468	5,141	10,955
Other	–	30,486	–	–	–	30,486
Total financial liabilities	55,262	71,995	15,643	37,303	12,825	193,028
Derivatives, cash inflow	–	68,574	8,698	14,606	5,603	97,481
Derivatives, cash outflow	–	68,234	8,096	12,160	4,690	93,180
Net exposure	–	340	602	2,446	913	4,301
Exposure	–50,668	28,192	8,995	17,833	1,909	6,261
Cumulative exposure	–50,668	–22,476	–13,481	4,352	6,261	6,261
31 Dec 2014, EURm						
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	–

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 27,927m (EUR

23,824m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 72,402m (EUR 71,103m) 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”.

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Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1 “Accounting policies”, section 26 and Note G45 “Related-party transactions”.

EURm	Group undertakings		Associated undertakings		Other related parties	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Assets						
Loans and receivables	85,865	82,711	333	369	–	–
Interest-bearing securities	87	64	–	–	–	–
Derivatives	1,780	2,495	–	5	–	–
Investments in associated undertakings	–	–	–	7	–	–
Investments in group undertakings	19,394	16,986	–	–	–	–
Other assets	914	857	–	–	–	–
Prepaid expenses and accrued income	579	638	–	–	–	–
Total assets	108,619	103,751	333	381	–	–

EURm	Group undertakings		Associated undertakings		Other related parties	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Liabilities						
Deposits	13,052	15,240	3	2	43	20
Debt securities in issue	111	260	–	–	–	–
Derivatives	2,798	3,246	5	–	–	–
Other liabilities	2	4	–	–	–	–
Accrued expenses and deferred income	286	240	–	–	–	–
Subordinated liabilities	12	20	–	–	–	–
Total liabilities	16,261	19,010	8	2	43	20
Off balance¹	70,814	72,836	1,668	1,809	–	–

1) Including guarantees to Nordea Bank Finland Plc and Nordea Bank Polska S.A., see Note P37 “Contingent liabilities” as well as nominal values on derivatives in associated undertakings.

EURm	Group undertakings		Associated undertakings		Other related parties	
	2015	2014	2015	2014	2015	2014
Net interest income and expenses	–26	108	1	3	0	0
Net fee and commission income	399	406	0	0	–	–
Net result from items at fair value	–229	–309	–3	12	–	–
Other operating income	748	687	–	–	–	–
Total operating expenses	–565	–137	0	0	–	–
Profit before loan losses	327	755	–2	15	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 G45 “Related-party transactions”.

Signing of the Annual Report

The Board of Directors and the President and Group CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that 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.

4 February 2016

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Kari Ahola
Board member¹

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member¹

Lars G Nordström
Board member

Hans Christian Riise
Board member¹

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Casper von Koskull
President and Group CEO

Our audit report was submitted on 12 February 2016

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
*Authorised Public Accountant
Auditor-in-charge*

Catarina Ericsson
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 2015. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 26–210.

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 2015 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 2015 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 Directors' 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 2015.

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, 12 February 2016

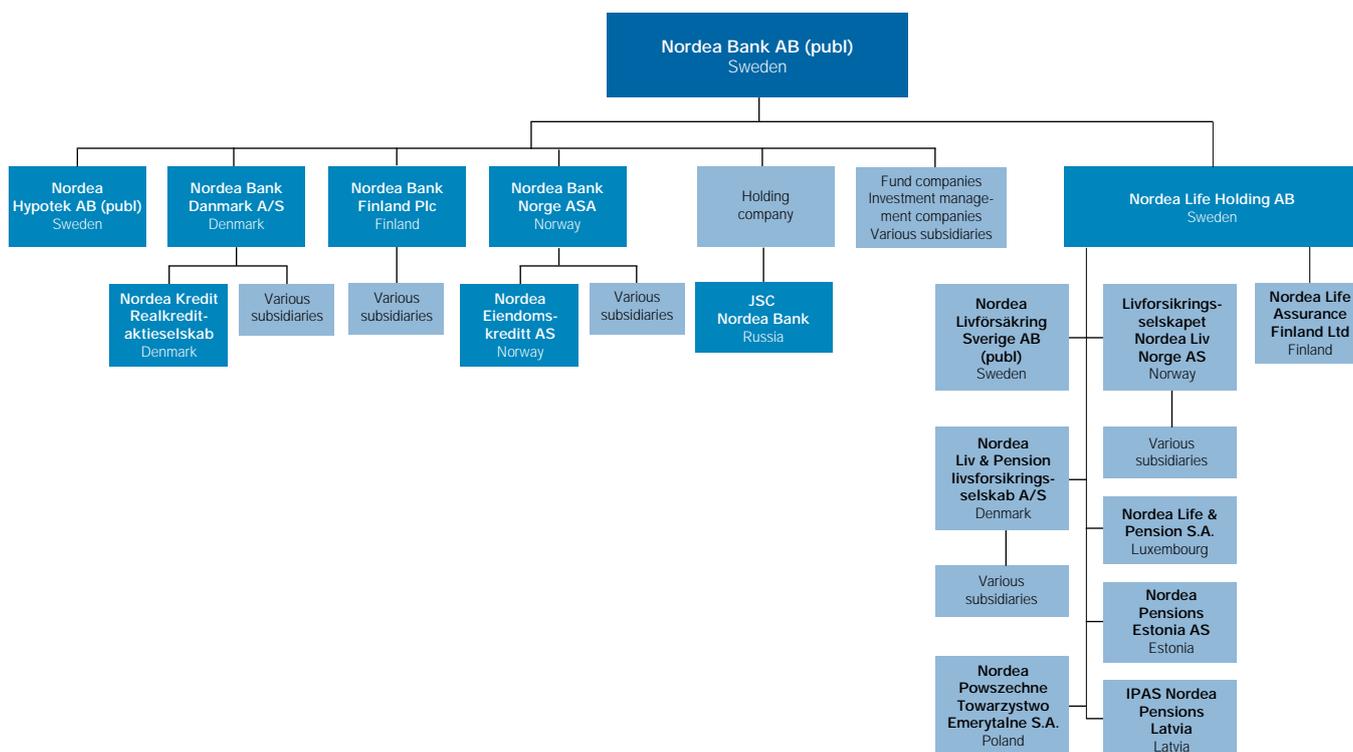
Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

Legal structure

Main legal structure*, as of 31 December 2015



* Further information is presented in Note P20. Nordea's banking business in the Baltic countries is operated as branches of Nordea Bank AB (publ).

Board of Directors



Björn Wahlroos



Marie Ehrling



Tom Knutzen



Robin Lawther



Lars G Nordström



Sarah Russell



Silviya Seres



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.
 1974–1985 Various academic positions, including Professor of Economics at Hanken School of Economics and visiting professor at Brown University and Kellogg Graduate School of Management, Northwestern University.

Shareholding in Nordea: 100,000¹

Marie Ehrling, Vice Chairman

BSc (Economics). Board member since 2007 and Vice Chairman since 2011. Born 1955. *Nationality:* Swedish. Board Chairman of 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: 3,075¹

Tom Knutzen

MSc (Economics). Board member since 2007. Born 1962. *Nationality:* Danish. CEO Jungbunzlauer Suisse AG and Board Chairman of several 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: 47,750¹

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: 50,000¹

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 and the Centre for Business and Policy Studies (SNS). 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: 23,250¹

Sarah Russell

Master of Applied Finance. Board member since 2010. Born 1962. *Nationality:* Australian. CEO Aegon Asset Management Holdings NV and Board member of several group companies. Vice chairman of the Supervisory Board of La Banque Postale Asset Management SA. *Other assignments:* Member of the Supervisory Board of Nederlandse Investeringsinstelling NV.

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: 0¹



Birger Steen



Kari Ahola



Toni H. Madsen



Lars Oddestad



Hans Christian Riise

Silvija Seres

MBA, Ph.D (Mathematical science) and MSc (Computer Science). Board member since 2015. Born 1970. *Nationality:* Norwegian. Board member of Enoro AS, Academedia AB and Synchron AB. *Other assignments:* Board member of Oslo Business Region AS, Simula Research Laboratory AS, Transparency International Norge, Seema AS and the Kavli Trust. Chairman of the Board of Polyteknisk Forening. Member of the Corporate Assembly (Nor. Bedriftsforsamlingen) and the Nomination Committee of Telenor ASA.

Previous positions:

- 2011–2015 Managing director of TechnoRocks AS.
- 2008–2011 Director of Business Management at Microsoft Development Center, Norway.
- 2004–2008 Vice President for Services Strategic Development, Product Marketing and Strategic Development at Fast Search & Transfer ASA.
- 1997–2003 Prize Fellow, Tutor and Lecturer at University of Oxford, the UK.
- 2003 Visiting Researcher at the Chinese Academy of Sciences in Beijing, China.
- 2002 Assistant Professor and Programme Manager at Dar Al Hekma University in Jeddah, Saudi Arabia.
- 1999 Visiting Researcher at DEC/Compaq Systems Research Center in Palo Alto, USA.
- 1996–1997 Scientific Researcher at Norwegian Computing Centre
- 1994–1996 IT developer at Skriversvik Data.

Shareholding in Nordea: 0¹

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 Waypoint Group Holding Ltd. *Other assignments:* Board member of The Federation of Finnish Financial Services and 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: 100,000¹

Birger Steen

MSc (Computer Science) and MBA. Board member since 2015. Born 1966. *Nationality:* Norwegian. CEO of Parallels Holdings Ltd. Board member of Schibsted ASA. *Other assignments:* Member of the Board of Trustees of the Nordic Heritage Museum in Seattle.

Previous positions:

- 2009–2010 Vice President of Worldwide SMB & Distribution at Microsoft Corporation.
- 2004–2009 General Manager of Microsoft Russia.
- 2002–2004 General Manager of Microsoft Norge.
- 2000–2002 CEO of Scandinavia Online AS.
- 1996–1999 Vice President of Business Development of Schibsted ASA.
- 1993–1996 Consultant of McKinsey & Company.
- 1992–1993 Oil Trader and Managing Director of Norwegian Oil Trading AS.

Shareholding in Nordea: 0¹

Employee representatives

Kari Ahola

Board member since 2006. Born 1960.

Shareholding in Nordea: 0¹

Toni H. Madsen

Board member since 2013. Born 1959.

Shareholding in Nordea: 3,299¹

Lars Oddestad

Board member since 2009. Born 1950.

Shareholding in Nordea: 0¹

Hans Christian Riise

Board member since 2013. Born 1961.

Shareholding in Nordea: 0¹

1) Shareholdings, as of 31 December 2015, also include shares held by family members and closely affiliated legal entities.

Group Executive Management



Group Executive Management, from left to right: Torsten Hagen Jørgensen, Lennart Jacobsen, Erik Ekman, Eva-Lotta Rosenqvist, Casper von Koskull, Mads G. Jakobsen, Ari Kaperi, Gunn Wærsted and Snorre Storset.

Casper von Koskull

President and Group CEO since 2015.
Born 1960.
Member of Group Executive Management 2010.
Shareholding in Nordea: 221,065.¹

Previous positions:

2010–2015 Head of Wholesale Banking Nordea Bank AB.
1998–2010 Managing Director and Partner of Goldman Sachs International in London, Head of Nordic Investment Banking.
1994–1998 Managing Director, Nordic Investment Banking, UBS London.
1992–1994 Head of Derivatives Marketing and Structuring for German Corporate Clients, Citibank, Frankfurt.
1990–1992 Vice President Leverage Finance, Citibank, New York.
1987–1990 Vice President Nordic Coverage Citicorp Investment Bank, Ltd, London.
1984–1987 Account Manager, Citibank, Helsinki.

Torsten Hagen Jørgensen

Group COO and Deputy Group CEO since 2015
Born 1965.
Member of Group Executive Management 2011.
Shareholding in Nordea: 95,907.¹

Erik Ekman

Executive Vice President, Head of Wholesale Banking.
Born 1969.
Member of Group Executive Management 2015.
Shareholding in Nordea: 0.¹

Heikki Ilkka

Group Chief Financial Officer, Head of Group Finance and Business Control.
Born 1970.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.¹

Lennart Jacobsen²

Executive Vice President, Head of Retail Banking.
Born 1966.
Member of Group Executive Management 2013.
Shareholding in Nordea: 9,000.¹

Mads G. Jakobsen²

Executive Vice President, Deputy Head of Retail Banking.
Born 1966.
Member of Group Executive Management 2014.
Shareholding in Nordea: 38,895.¹

Ari Kaperi²

Chief Risk Officer, Head of Group Risk Management.
Born 1960.
Member of Group Executive Management 2008.
Shareholding in Nordea: 95,932.¹

Eva-Lotta Rosenqvist

Outgoing Group Compliance Officer and Head of Group Compliance.
Born 1962.
Member of Group Executive Management 2015.
Shareholding in Nordea: 26,360.¹

Snorre Storset²

Executive Vice President, Deputy Head of Wealth Management and Head of Wealth Management from 1 February 2016.
Head of Private Banking.
Born 1972.
Member of Group Executive Management 2015.
Shareholding in Nordea: 12,300.¹

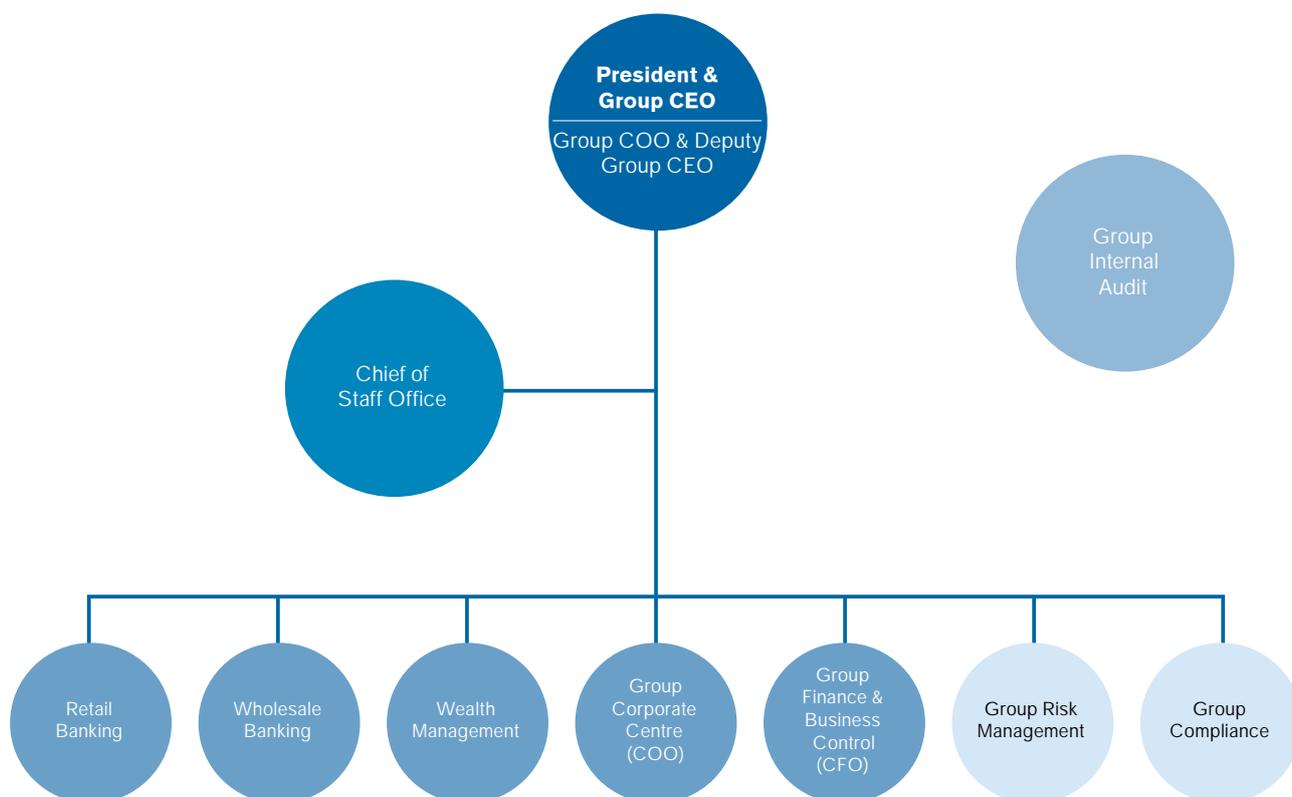
Gunn Wærsted²

Executive Vice President, Head of Wealth Management until 1 February 2016.
Born 1955.
Member of Group Executive Management 2007.
Shareholding in Nordea: 128,363.¹

1) Shareholdings, as of 31 December 2015, also include shares held by family members and closely affiliated legal entities.
2) Country Senior Executive.

Group Organisation

As of January 2016



Annual General Meeting 17 March 2016

Nordea's Annual General Meeting (AGM) 2016 will be held on Thursday 17 March at 13.00 CET at Stockholm City Conference Centre, Folkets Hus, Barnhusgatan 12–14, 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 11 March 2016 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 11 March 2016. 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 11 March 2016 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 10 March 2016 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 10 March 2016 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 2016

Annual General Meeting	17 March
Ex-dividend date	18 March
Record date	21 March
Dividend payments	30 March
1st quarter results	27 April
2nd quarter results	20 July
3rd quarter results	26 October

Contacts

Torsten Hagen Jørgensen, Group COO and Deputy Group CEO
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 Regulation, is presented on www.nordea.com.

The Annual Report 2015

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 213. 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).

