Nordea

Annual Report 2013

"Our strong financial platform is fundamental to the ability to deliver on our relationship strategy and our most important value – creating great customer experiences. Therefore, we are now further strengthening the foundation.

CEO letter page 8

Contents

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

Lennart Jacobsen, Head of Retail Banking

Largest and most diversified retail bank in the Nordics

Retail Banking
"We want to offer our customers a true multichannel relationship bank." page 22

Casper von Koskull, Head of Wholesale Banking

Leading wholesale bank in the Nordics

Wholesale Banking
"We focus on continuous improvement." page 30

Gunn Wærsted, Head of Wealth Management

Largest private bank, asset manager and life and pensions provider

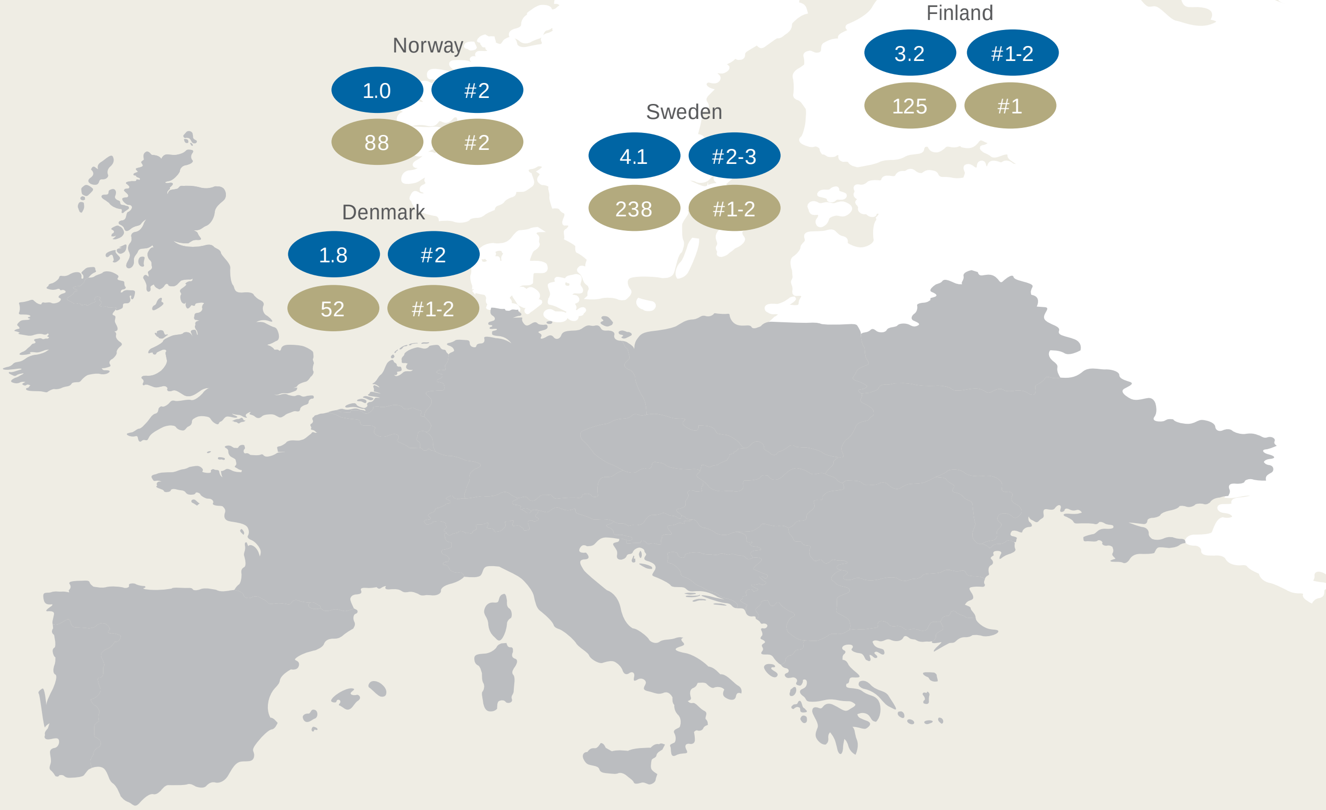
Wealth Management
"The vision is to be acknowledged as the leading Wealth Manager in all Nordic markets with global reach and global capabilities" page 38

Leading platform

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

Superior customer franchise

	Retail customers No. of relationships (mill)	Retail customers Market position	Corporates & Institutions No. of relationships (th)	Corporates & Institutions Market position
In total:	10.5	#1	540	#1



Global capabilities on par with international peers'

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

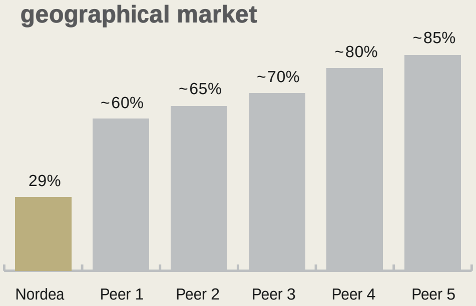
Key facts

- Leading financial services platform in the Nordic region
- Largest total operating income, EUR 9.9bn in 2013
- Market share leader across the region in both retail and corporate markets
- ~29,400 employees (FTEs)
- Superior customer franchise
  ~10 million personal customers of which 3.2m Gold and Private Banking customers
  ~540,000 corporate and institutional customers
- Strong distribution power
  ~800 branch locations
  strong multichannel offerings

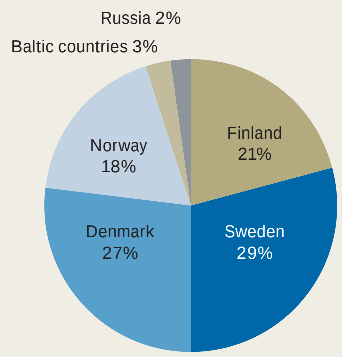
Nordea is the most diversified bank in the Nordics

Geographic exposure, Nordea vs. Nordic peers', %

Largest exposure to a single geographical market

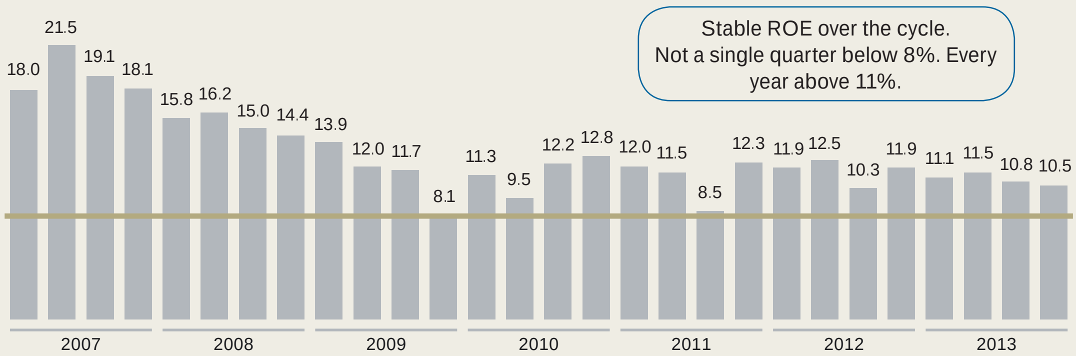


Nordea, loans to the public by geography, %



Total loans (excluding reversed repurchase agreements): EUR 303bn

Return on equity, ROE, development 2007-2013, %



Core tier 1 capital ratio, excluding transition rules (CRDIII / Basel 2)

14.9 %

(up 1.8 %-points from last year)

Dividend per share, EUR (proposed for 2013)

0.43

(up from EUR 0.34 per share last year)

Income statement and balance sheet items (continuing operations)

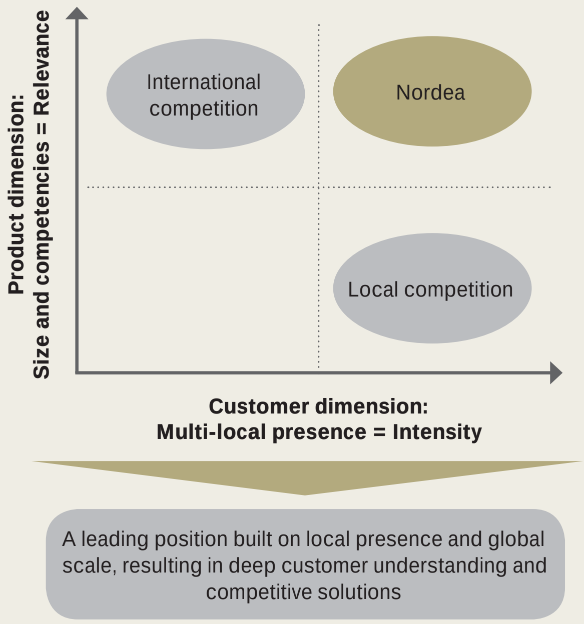
Income, profit and business volumes, key items	2013	2012
Net interest income, EURm	5,525	5,563
Net fee and commission income, EURm	2,642	2,468
Net result on items at fair value, EURm	1,539	1,774
Equity method and other income, EURm	185	193
Total operating income, EURm	9,891	9,998
Total operating expenses, EURm	–5,040	–5,064
Profit before loan losses, EURm	4,851	4,934
Net loan losses, EURm	–735	–895
Operating profit, EURm	4,116	4,039
Net profit for the year, EURm	3,107	3,069
Loans to the public, EURbn	342.5	346.3
Deposits from the public, EURbn	200.7	200.7
Assets under Management, EURbn	233.3	218.3
Total assets, EURbn	630.4	668.2
Return on equity (ROE), %	11.0%	11.6%
Dividend (proposed 2013/actual 2012), EUR/share	0.43	0.34

Business model

Corporate banking business – strategic positioning

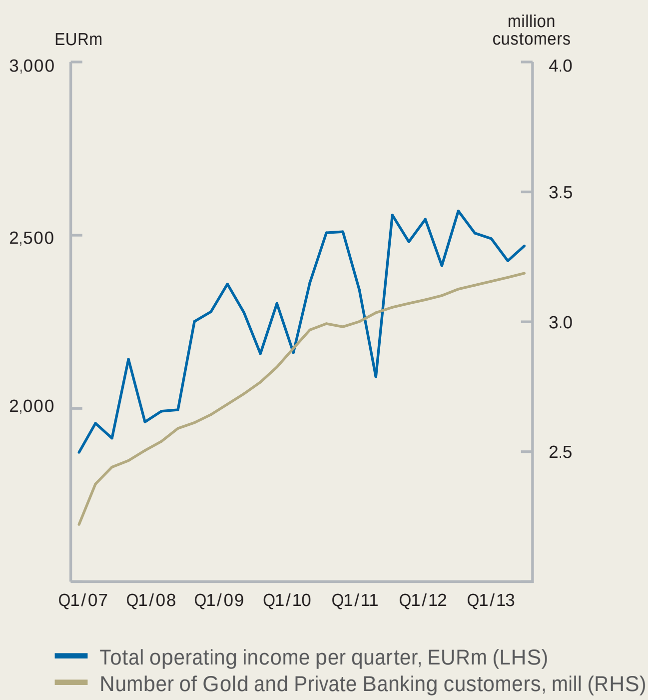
Vision and strategic positioning
- The leading wholesale bank in the Nordic region
- Relationship-driven, with deep customer understanding
- One operating model with Nordic scale and local knowledge / presence

Strategic positioning

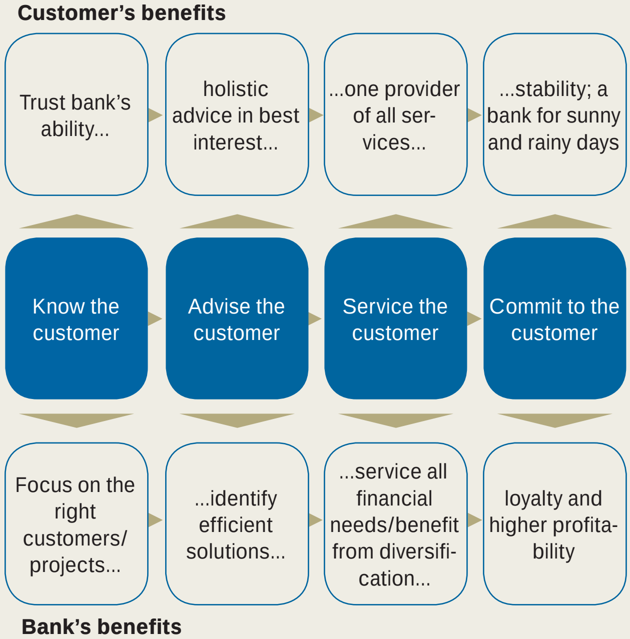


Retail banking business – superior customer franchise

Gold and Private Banking customers and Group income



Clear value proposition to relationship customers

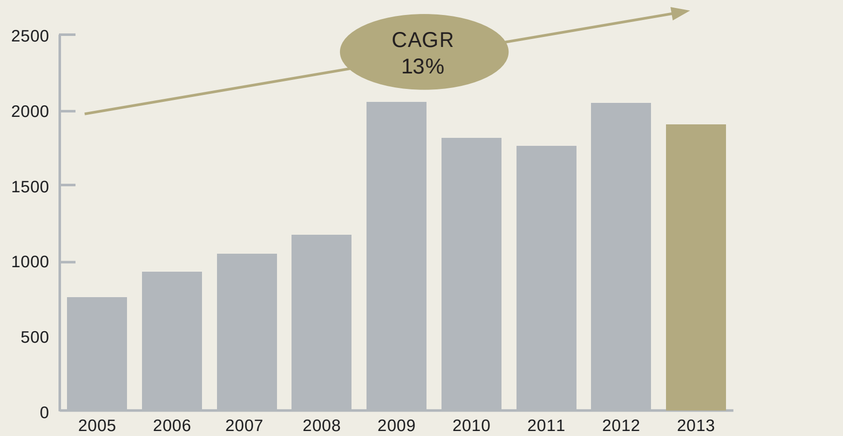


Strong global capabilities

Product capabilities on par with international peers

- Very strong FICC capabilities covering all major needs for Nordic customers
- Size and scale to support efficiency
- Leveraged into Retail Banking
- Competitive Investment Banking and Equities capabilities
- Competitive working capital management capabilities
- Balance sheet to support transactions

Markets total income, EURm



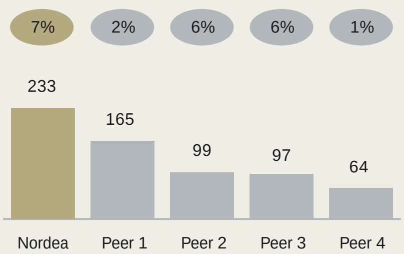
- #1 bookrunner in Nordic corporate bonds
- #2 Nordic bank in Nordic M&A
- #1 bookrunner in Nordic syndicated loans
- #1 Nordic FX and interest rate derivatives franchises
- #1 Nordic bank in Nordic ECM
- #1 Nordic bank in Nordic equity trading

Leading customer franchises and global product capabilities

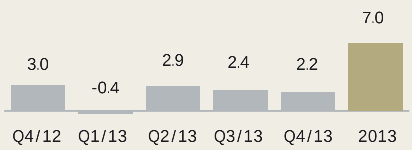
- Largest Nordic life and pensions provider by gross written premiums
- Largest Nordic private bank with EUR 77bn of Assets under Management, AuM
- Largest Nordic international private bank, EUR 11bn of AuM, with presence in Luxembourg, Switzerland and Singapore
- Largest Nordic asset manager, EUR 147bn of AuM
- Global Fund Distribution – distributing through 14 of the 20 largest wealth managers globally
- Globally 7th largest fund promoter in Europe 2012
- In-house product offering supplemented by carefully selected external investment product offering

Largest and fastest growing Nordic Wealth Manager

Assets under Management (AuM) 2013, EURbn, and 3-year average growth (CAGR, local currencies), %



Net inflow into Assets under Management (AuM), EURbn



Customer activity 2013

- Close to 1.9 million advisory meetings with customers.
- 90,000 new Gold, Premium and Private Banking customers from outside the bank.
- We supported large and multinational companies in raising EUR 86bn of corporate bonds and syndicated loans.
- Our assets under management (AuM) have never been larger and now exceed EUR 230bn.
- The number of frequent mobile bank customers increased by around 500,000 to over 1.3 million.
- We met with 290,000 small and medium-sized corporate customers and were able to help many entrepreneurs adjust to both sluggish demand and effects of new banking regulation.
- We maintained our market-leading position among the largest Nordic corporate customers, with significantly more lead customer relationships than any other Nordic bank, and assisted corporate and institutional customers in hedging of their financial risks and cash flow exposures.
- 146 banking advisers have been employed in our Contact centres to secure that our customers can receive advice also through this channel.

The 2015 financial plan

Nordea market commitments	Key initiatives and levers
Strong capital generation and increased pay-out ratio 2014-2015, while maintaining a strong capital base	Capital initiatives to maintain CT1 ratio >13%*
Medium-term ROE ambition of 13% at a CT1 ratio >13%* taking prevailing low interest rates into account	Initiatives for income generation
Delivering low-volatility results based on a well diversified and resilient business model	5% lower cost base 2015 vs. 2013 Initiatives for cost savings of ~EUR 900m
	Low-risk profile and low volatility

* Nordea is currently steering the bank towards a core tier 1 capital ratio of 14-14.5%

The 2015 plan

The relationship strategy is the starting point for our medium-term return on equity (ROE) ambition of 13% at a core tier 1 ratio of above 13%, taking the prevailing low interest rates into account. The levers for reaching the target are initiatives for income generation, cost efficiency and capital efficiency, as well as maintaining the low risk profile.

In order to generate income growth, several key initiatives have been identified and are being executed on within Nordea. Initiatives include re-pricing of the existing lending stock in all segments, focus on cross-selling in order to gain the full share of customers' wallets and increasing ancillary income. Nordea is also, as part of the relationship strategy, constantly focusing on acquiring additional relationship customers.

The new low-growth environment has accelerated the need for strict cost discipline in order for Nordea to remain competitive in servicing our customers. This will be achieved by increased efficiency, and an increased focus on simplification of our processes and infrastructure. To this end, the physical distribution is being streamlined, re-directing standardised banking transactions to online/mobile channels and optimising the advisory offering in our branches. Furthermore, initiatives to increase operational efficiency by centralising support functions, automating processes and transforming premises are worked into the plan. In parallel, a huge change agenda is ongoing to streamline and simplify the IT legacy systems and enhance digitisation of statements etc. In total, cost savings initiatives will generate gross savings of approx. EUR 900m during 2013-2015. This will enable us to invest in mandatory regulatory projects and IT infrastructure, as well as in customer related areas, and obtain a cost level in 2015 that is 5% lower than in 2013.

On the back of the lessons learned from the past financial crisis, regulators are requiring banks to hold more capital. To continue servicing our customers' and society's need for financing, we have to operate in a more capital-efficient manner. To do this, we need to work with our customers to secure that the most capital-efficient solutions are chosen. This involves optimising the maturity of loans, agreeing on collaterals and choosing off-balance sheet solutions when appropriate. Housekeeping activities (e.g. to ensure correctly registered collaterals), portfolio reviews and development of more advanced risk models, will provide further relief. In total, capital efficiency initiatives are estimated at EUR 35bn, and will mitigate the effects of new regulation and growth until 2015.

Deliveries on the plan in 2013

During the year, Nordea successfully executed on the plan and delivered on all levers. Planned initiatives generated additional income growth and enabled us to meet our flat cost target, while initiatives to reduce RWA have made us more capital-efficient.

- Income – Re-pricing initiatives have supported net interest income, at the same time as cross-selling activities have enabled growth in net fee and commission income of 7%. AuM have reached a record-high level of EUR 233bn, enabling further growth in ancillary income in coming years. Nordea has attracted 90,000 new household relationship customers and strengthened existing corporate and household relationships, as evidenced by e.g. Nordea receiving the 2014 Greenwich Quality and Share Leader Awards for Nordic Large Corporate Banking.

- Cost – The flat cost target has been met, as expenses have been kept under solid control and costs have now been flat for 13 consecutive quarters. During the year, cost initiatives have delivered gross savings of 210m, thus mitigating inflation and making room for investments in prioritised areas. Total costs excluding FX and variable pay decreased by 0.3% during the year.

- Capital – Capital efficiency initiatives have led to gross RWA reductions of 7.8bn in 2013. Together with strong capital generation, these initiatives mitigate negative effects on our capital ratios stemming from increased regulatory requirements. Our core tier 1 capital ratio has increased by 180 basis points, to 14.9%, thus well meeting our target of >13%. In addition, in January 2014, Nordea received approval from Nordic FSAs to use the advanced internal ratings-based (AIRB) approach for the bank's corporate exposures in the Nordic region.

Strengthening the foundation

In 2013, Nordea continued to welcome more customers, further developed its global capabilities and improved cost and capital efficiency.

Dear Shareholder,
Although economies stabilised in the autumn, 2013 proved to be yet another year with low growth and low interest rates.

In this difficult environment I am pleased that Nordea continued to benefit from its stability, scale and diversified business model. In 2013 we welcomed more customers, developed our global capabilities and improved cost and capital efficiency, and our efforts were recognised in several awards. For the third consecutive year, Nordea was named "Best Bank in the Nordics" by World Finance magazine and Euromoney ranked us "Best Bank in the Nordics and Baltics". We thus further strengthened our foundation and took a further step in the journey on which we embarked in 2012 – towards becoming the Future Relationship bank.

Strong platform fundamental to relationships

Our strong financial platform is fundamental to the ability to deliver on our relationship strategy and our most important value – creating great customer experiences.

Everything everyone does at Nordea has one purpose only – to create great customer experiences. At every level of our organisation, this message is the most important guide for every action and decision taken. We strive to understand our customers' needs and help them realise their aspirations. This is the core of our relationship strategy – ensuring financial stability for our customers, leading to high satisfaction and closer, long-lasting relationships. In turn, these closer relationships lead to reduced risk for the bank. To enable this, we also live our other values – It's all about people and One Nordea team. When each and every one of us takes personal responsibility, and when we team up and work efficiently together across business areas, we deliver value to our customers.

Local presence and international capabilities

Today, Nordea is an undisputed market leader in Wholesale Banking, serving the largest corporates in the Nordics, with a local presence and international capabilities. Our size, scale and financial strength enable us to meet any financial need of our customers both locally, and globally, throughout our international network. Our people work across borders and units in teams to bring the best competencies and capabilities, and we are in close dialogue with our customers to find the best solutions in the new regulatory regime.

In Wealth Management, we have further expanded our global reach and bolstered our position as the largest asset manager by far in the Nordic region. Assets under Management increased to an all-time high of EUR 233bn, up 69% since the beginning of the financial crisis. An increasing part of the inflow comes from our global fund distribution, with customers in Europe and globally favouring Nordea Funds.

The digital transformation continues

In Retail Banking too we continued to welcome customers, strengthen our relationships and develop products and services. In 2013 we welcomed

88,000 new relationship customers, 7% more than in the year before. Nordea has had a constant inflow of new relationship customers throughout the financial crisis, increasing the number of Gold, Premium and Private Banking customers by 45% to 3.1 million since 2006.

The transformation of customer behaviour towards more mobile banking continues. Over 1.3 million customers are now actively taking advantage of the convenient options for everyday banking in Nordea's mobile offerings. This is an increase of around 500,000 active mobile users in just one year, and each day the number grows by more than 1,000.

Committed to keeping it simple

We constantly strive to meet our customers' present and future needs, and are determined to further develop our customer-focused multichannel relationship bank. With the objective of delivering even more personalised solutions to each customer in a flexible, timely manner, we have embarked on a process of simplification.

The objective is to reduce complexity in our operation and invest in new solutions. We will simplify our business in terms of processes and products, focusing on the solutions that create the most value for our customers. This process of simplification will be a journey without an end – of constant improvement to the benefit of our customers and the bank.

Safeguarding societies

Changing customer demands and our journey towards simplifying our business will transform the bank – a process that has indeed already commenced with the new regulation of the financial sector. The onslaught of new legislation in the aftermath of the financial crisis has been immense with around 50 key regulations. The combined effects are unknown – but will affect not only banks but also customers and societies.

One main factor is, of course, capital and liquidity requirements to bolster banks' ability to better respond to future crises. Nordea has taken early action and shown a strong ability to generate capital, meeting and exceeding current and future requirements.

Another important element of the regulation is the work to further shield financial systems against being used for criminal transactions – and thus to protect our societies from such activities.

Delivering on the 2015 plan

Although activity picked up somewhat during the autumn, growth remained low throughout 2013, and at the end of the year interest rates came down even further. In this environment, we managed to deliver stable income. Costs were flat for the 13th consecutive quarter, and loan losses continued downwards, reflecting the stabilisation of economies. Our strong, stable capital generation thus continued. In 2013, the core tier 1 ratio was up by 180 basis points to 14.9%. We increased our capital base by another EUR 0.7bn, and have hence doubled the capital base since 2006.

Looking ahead we do not foresee any substantial easing of the challenging environment of subdued consumption and low investment needs among both households and corporates. When the 2015 plan was announced a year ago, the assumption was some economic growth. The most likely scenario is now low growth in the Nordics and in Europe. Also interest rates are lower than we expected, so we are facing years with lower activity levels in lending demand and customer transactions, and lower interest rates, than we anticipated in our plan.

To adapt to this environment and maintain our strong position, we will accelerate the efficiency programme initiated last year from EUR 450m towards EUR 900m. By becoming more efficient and reducing our costs further, we will adapt to the lower demand and activity level now expected.

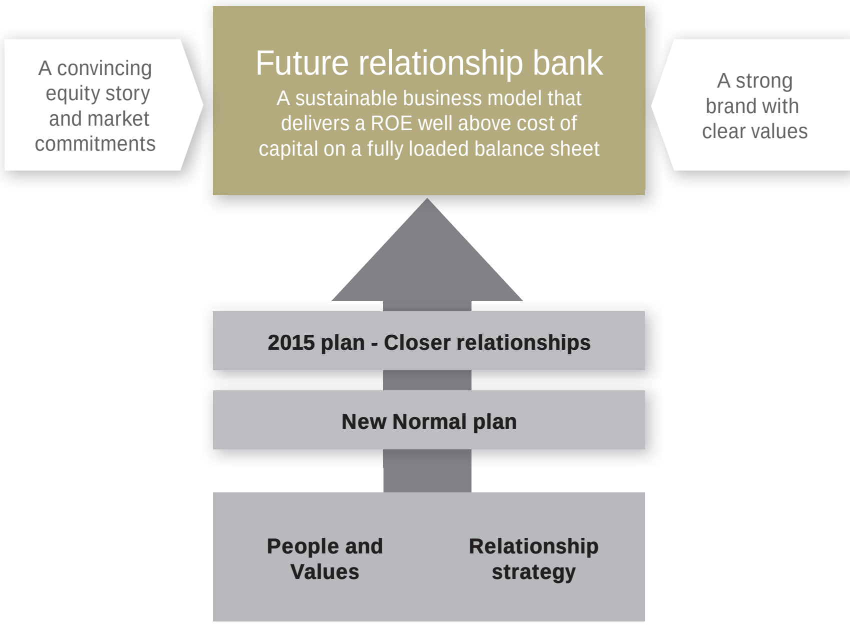
Making it possible

Our strong customer focus and the relationship strategy will remain our guiding star in our work towards becoming the Future Relationship bank. In continued challenging times for our economies, we will contribute to stability and growth in society by maintaining our strong financial position. Also, by pursuing high operational efficiency and better agility in our solutions and services, we will ensure great customer experiences – and fulfil our mission of Making it possible.

Best regards

Strategy – the future relationship bank developing

Our relationship strategy and leading market positions have created significant value for all our stakeholders throughout the financial crisis. This has been achieved by focusing efforts on customers' needs in a cost-efficient manner, managing our capital base and maintaining our low-risk profile and low earnings volatility. The needs of customers and our relationship strategy are also the starting point for our medium-term return on equity ambition of 13% at a core tier 1 ratio of above 13%, taking prevailing low interest rates into account.



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

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

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

In order for our banking model to evolve going forward, we will during 2014 and 2015 continue to work with our main focus areas:

- Balanced customer focus – We strive to provide a balanced customer focus, building on a customer-centric organisational design, in which we deliver the right products in the right manner at the right price. In all of our business areas, we provide a full suite of advice-driven products piloted by client demand and regulatory direction. We constantly adapt to the changing environment to ensure that all our products are fairly priced based on the real cost of providing them. Our focus is to be close to our customers' needs, and thereby be the natural choice when customers choose the advisor for their event-driven transactions – be they corporate or household related.

- People focus – We aim to nurture clear values and principles, reflected in the objectives and incentives we set and how we lead, listen to, develop and support our people. Our values and leadership are the strongest drivers of performance and corporate culture. We believe in putting people first – Nordea can reach its goals only if its employees reach theirs.

> The needs of customers and our relationship strategy are the starting point for our medium-term return on equity ambition of 13% at a core tier 1 ratio of above 13%, taking the prevailing low interest rates into account.

- Value chain optimisation and decreased complexity – We aspire to adopt and develop best practice and remain loyal to simplicity, transparency and reducing complexity, in order to manage our resources while maintaining focus on our customers and their goals. Our three value chains and business areas are designed to support the focused relationship strategy. Having one operating model and business area ownership of the end-to-end value chain ensures a comprehensive view, accountability and congruity. It safeguards operational efficiency by improving the quality of customer relationships, increasing the time spent with customers and reducing the time required to bring new products and services to market.

- Trust and responsibility – Our continued focus on compliance, and emphasis on implementing new rules and regulation quickly, make it possible for us to capture the benefits of the investments necessary in order to comply, also in the form of a deeper understanding of our customers and risks.

With new technology as the catalyst, customer requirements are evolving at an ever increasing pace. To be able to meet the future needs of our customers in a flexible and adaptive manner, we need to focus even more on simplifying our products, infrastructure, processes and systems. This will also incorporate and be supported by the simplification of our core IT systems.

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

Household strategy

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

We pursue a multichannel distribution strategy. The aim is to improve customer satisfaction while reducing the cost of service. Proactive contact with our customers is conducted through local branches, supplemented

Strong customer-oriented values and culture

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

Great customer experiences	It's all about people	One Nordea team
• We think and act with the customer in mind • We understand individual customer needs and exceed expectations • We deliver professionally • We create long-term relationships	• We acknowledge that people make the difference • We enable people to perform and grow • We foster initiative taking and timely execution • We assess performance in an honest and fair way	• We team up to create value • We work together across the organisation • We show trust and assume accountability • We make rules and instructions clear and applicable

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

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

by contact centres, video meetings, online services and the mobile bank – the latter of which is becoming increasingly important. We aim at having recurring advisory meetings with all existing and potential relationship customers, taking their entire finances and long-term preferences into account in order to provide a comprehensive financial solution.

Corporate strategy

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

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

Segmentation and value proposition – Household customers

Segment	Customers, 000s	Criteria and Value proposition
Private Banking	113	Assets > EUR 250k The best Nordea has to offer
Gold and Premium	3,095	Volume > EUR 30k, no. of products > 5 Named advisor – priority in access – best fixed price
Silver	1,500	Volume > EUR 6k, no. of products > 3 Personal service when needed – favourable price
Bronze	3,900	Active customer Basic service – fair price

Segmentation and value proposition – Corporate customers

Segment	Customers, 000s	Value proposition
Wholesale Banking	12	Strategic partnership – sponsor, customer team and named adviser – tailored, individual solutions
Large	30	Partnership – named adviser and specialists – individual solutions
Medium	80	Business relationship – named adviser – individual solutions – standard products
Small	420	Standardised offering – basic service – efficient handling

The Nordea share and shareholders

Nordea's medium-term return on equity (ROE) ambition is 13% at a core tier 1 capital ratio of above 13%, taking prevailing low interest rates into account.

The market capitalisation of Nordea at the end of 2013 was EUR 39.7bn (EUR 29.3bn the year before). Ranked by market capitalisation, Nordea was the fourth largest company in the Nordic region and among the ten largest European financial groups.

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

Share price performance

The international equity markets performed well in 2013 and the Nordea share price appreciated 40% on the NASDAQ OMX Stockholm Stock Exchange from SEK 62.10 to SEK 86.65. The daily closing prices listed for the Nordea share during 2013 ranged between SEK 62.10 and SEK 86.70. In 2013, the NASDAQ OMX OMXS30 index appreciated by 21% and the STOXX Europe 600 Banks index by 19%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 118% and clearly outperformed the STOXX Europe 600 Banks index (-47%) and the NASDAQ OMX OMXS30 index (11%).

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 as well as find historical prices for the Nordea share.

Total shareholder return 2013

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2013 was 45% (21% in 2012). Nordea ranked number nine among the European peer group banks in terms of TSR in 2013 (number 14 in 2012, five in 2011, nine in 2010, seven in 2009, two 2008 in and number three in 2007 and 2006.) The average TSR for the peer group was 37%.

Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2013, with an average daily trading volume of approx. EUR 130m, corresponding to approx. 15 million shares. Turnover on all stock exchanges combined totalled EUR 33bn in 2013, corresponding to 3.6 billion shares.

A large part of the total trading takes place on new alternative trading and reporting venues. 29% of the total volume traded in Nordea shares takes place over other exchanges such as BATS Chi-X Europe, Burgundy and Turquoise. Out of the total number of Nordea shares traded in 2013 on NASDAQ OMX, approx. 83% were SEK denominated, 9% 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 during 2013.

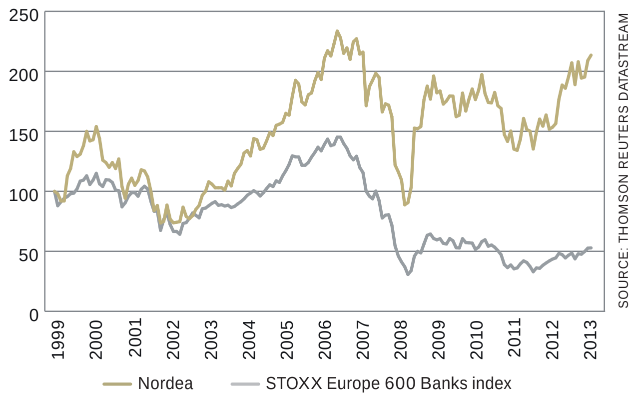
All ordinary shares in Nordea carry voting rights, with each share entitling to one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

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

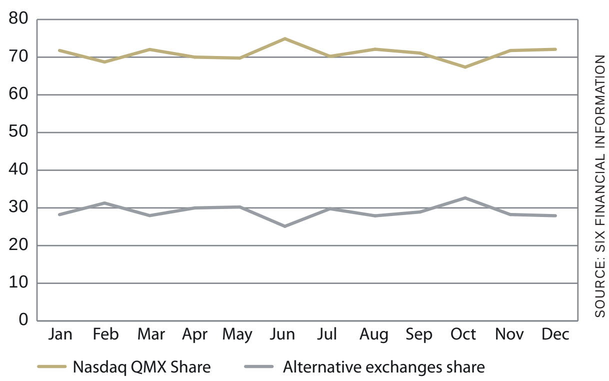
Capital policy

Nordea has a capital policy for the new regulatory environment, which states that, no later than 1 January

Nordea share performance compared to European banks, 2000–2013



Turnover of the Nordea share in stock exchanges, 2013



2015, the target for the core tier 1 capital ratio is to be above 13% and for the total capital ratio above 17%.

Proposed dividend and dividend ambition

The Board of Directors proposes a dividend of EUR 0.43 per share for 2013. The total dividend payment for 2013 would then be EUR 1,734m, corresponding to a payout ratio of 56% of the net profit after tax. The dividend yield calculated on the share price at 30 December 2013 is 4.4%.

The ambition for the dividend is to increase the payout ratio in 2014 and 2015, while maintaining a strong capital base. The long-term target is to be decided once the regulatory regime is clarified.

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 institute decides its own conversion rate. In Finland, the dividend is paid in EUR.

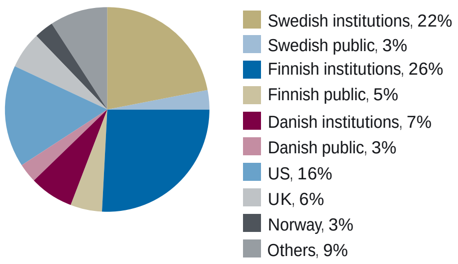
Shareholders

With approx. 450,000 registered shareholders at the end of 2013, Nordea has one of the largest shareholder bases of all Nordic companies.

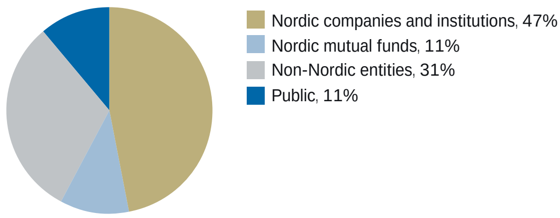
The number of shareholders in Sweden is approx. 97,000, in Finland approx. 190,000 and in Denmark approx. 163,000 – numbers which were largely unchanged from last year.

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 31% of the capital at the end of 2013 (up from 22% last year). The Swedish state has in 2013 sold its holding in Nordea. The largest individual shareholder is Sampo plc with a holding of 21.4%.

Shareholder structure, 31 Dec 2013



Type of shareholders, 31 Dec 2013



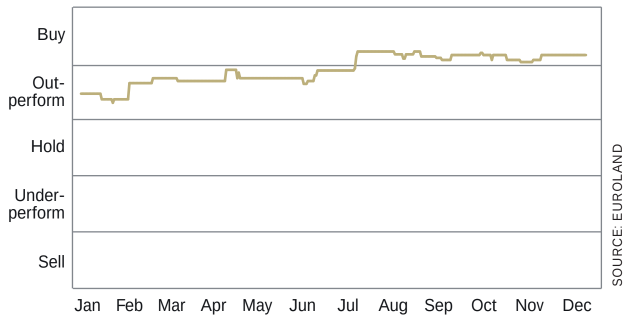
SOURCE: SIS ÄGARSERVICE, NORDIC CENTRAL SECURITIES DEPOSITORY, VP ONLINE

Largest registered* shareholders in Nordea, 31 Dec 2013

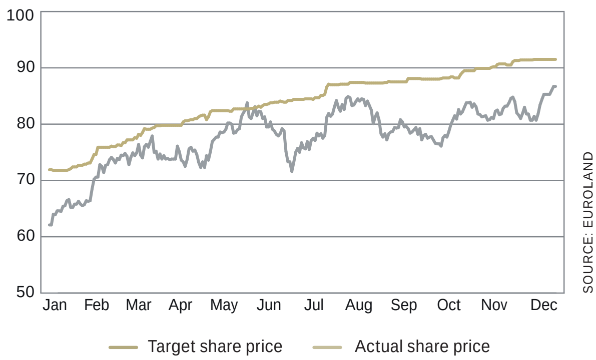
Shareholder	No of shares, million	Holdings %
Sampo plc	860.4	21.4
Nordea-fonden	158.2	3.9
Swedbank Robur Funds	128.2	3.2
Alecta	79.5	2.0
Norwegian Petroleum Fund	77.4	1.9
SHB Funds	60.3	1.5
AMF Insurance & Funds	57.3	1.4
SEB Funds	46.9	1.2
Fourth Swedish National Pension Fund	42.2	1.0
Varma Mutual Pension Fund	40.0	1.0
Saudi Arabian Monetary Agency	39.1	1.0
First Swedish National Pension Fund	34.6	0.9
AFA Insurance	33.3	0.8
Nordea Funds	31.8	0.8
Third Swedish National Pension Fund	29.4	0.7
Fidelity Funds	25.5	0.6
Skandia Life Insurance	24.3	0.6
Vanguard Funds	23.6	0.6
Didner & Gerge Funds	23.5	0.6
iShares Funds	22.6	0.6
Total, 20 largest shareholders	**1,838.1**	**45.7**

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

Nordea share, average of analyst recommendations 2013



Nordea share, equity analysts' average target price and actual share price 2013

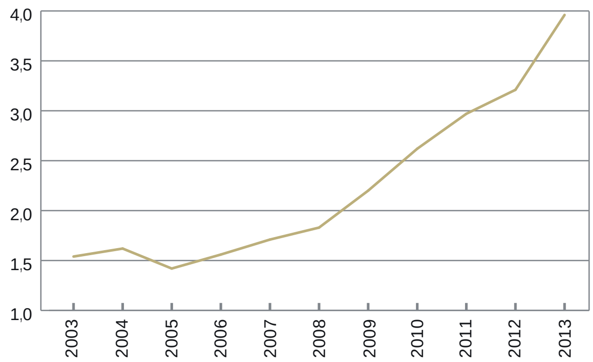


Nordea share, monthly turnover on different stock exchanges, %

Month	NASDAQ OMX	BATS CHI-X	Burgundy	Turquoise
January	71.8	20.7	3.5	4.0
February	68.7	22.3	3.8	5.2
March	72.0	19.5	2.5	6.0
April	70.0	20.6	1.6	7.8
May	69.8	19.9	2.3	8.0
June	74.9	17.0	0.9	7.2
July	70.2	20.4	0.7	8.7
August	72.1	18.5	0.8	8.6
September	71.1	17.0	1.1	10.8
October	67.4	18.5	1.3	12.8
November	71.8	17.1	0.8	10.3
December	72.1	16.2	1.1	10.6

SOURCE: SIX FINANCIAL INFORMATION

Nordea weighting in the STOXX Europe 600 Banks index, %



SOURCE: STOXX

Distribution of shares, 31 Dec 2013

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	331,046	74%	102,582,711	2%
1,001–10,000	111,390	25%	269,674,661	7%
10,001–100,000	6,021	1%	145,434,306	4%
100,001–1,000,000	746	0%	244,555,499	6%
1,000,001–	369	0%	3,269,388,362	81%
Total	**449,572**		**4,031,635,539**	

Share data 5 years

	2013	2012	2011	2010	2009
Share price	SEK 86.65	SEK 62.10	SEK 53.25	SEK 73.15	SEK 72.90
High/Low (SEK)	86.65 / 62.10	66.90 / 51.55	79.60 / 48.30	76.00 / 60.30	79.10 / 30.50
Market capitalisation	EUR 39.7bn	EUR 29.3bn	EUR 24.2bn	EUR 33.0bn	EUR 28.7bn
Dividend	EUR 0.43[2]	EUR 0.34	EUR 0.26	EUR 0.29	EUR 0.25
Dividend yield[3]	4.4%	3.8%	3.8%	3.6%	3.1%
TSR	44.6%	21.0%	–24.4%	3.7%	78.6%
STOXX Europe 600 Banks index	19.0%	23.1%	–34.0%	–27.0%	46.9%
P/E (actual)	12.7	9.3	9.7	12.36	11.85
Price-to-book	1.35	1.03	0.92	1.34	1.34
Equity per share[4]	EUR 7.27	EUR 6.96	EUR 6.47	EUR 6.07	EUR 5.56
Earnings per share[4]	EUR 0.77	EUR 0.78	EUR 0.65	EUR 0.66	EUR 0.60
Outstanding shares[1]	**4,031,635,539**	**4,029,683,426**	**4,029,023,222**	**4,027,129,675**	**4,024,167,751**

1) Excluding shares held for the Long Term Incentive Programmes.
2) Proposed dividend.
3) Dividend yield calculated at starting price on payment day, for 2013 calculated at price per 30 December 2013.
4) Previous years restated due to rights issue.

Change in share capital[1]

Date		Quota value per share[2], EUR	Number of shares issued	Nominal change EURm	Total number of shares	Share capital EURm
11 May–06	Bonus issue	1.00		1,566	2,594,108,227	2,594
08 Jun–07	New issue[3]	1.00	3,120,000	3	2,597,228,227	2,597
15 May–08	New issue[4]	1.00	2,880,000	3	2,600,108,227	2,600
30 Apr–09	New issue[5]	1.00	1,416,811,607	1,417	4,016,919,834	4,017
17 May–09	New issue[5]	1.00	13,247,917	13	4,030,167,751	4,030
18 May–09	New issue[6]	1.00	7,250,000	7	4,037,417,751	4,037
6 May–10	New issue[7]	1.00	5,125,000	5	4,042,542,751	4,043
5 May–11	New issue[8]	1.00	4,730,000	5	4,047,272,751	4,047
2 May–12	New issue[9]	1.00	2,679,168	3	4,049,951,919	4,050

1) A presentation of changes in share capital before 2006 is presented and available at www.nordea.com.
2) As of January 2006, nominal value has been replaced by quota value according to the new Swedish Companies Act.
3) C-shares issued for the Long Term Incentive Programme 2007. Converted to ordinary shares 18 June 2007.
4) C-shares issued for the Long Term Incentive Programme 2008. Converted to ordinary shares 22 May 2008.
5) Shares issued in relation to the Nordea rights offering.
6) C-shares issued for the Long Term Incentive Programme 2009. Converted to ordinary shares 12 May 2009.
7) C-shares issued for the Long Term Incentive Programme 2010. Converted to ordinary shares 11 May 2010.
8) C-shares issued for the Long Term Incentive Programme 2011. Converted to ordinary shares 17 May 2011.
9) C-shares issued for the Long Term Incentive Programme 2012. Converted to ordinary shares 3 May 2012.

People make it happen

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

People strategy

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

Great leaders build the right team

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

It takes great leaders to build a Great European bank. Great leadership at Nordea is the ability to engage and motivate people to reach out for our vision, and the ability to create the right team to make it happen. Successful leaders at Nordea are committed, engaged and look to build up those around them, not just themselves. Developing the capabilities of others, unlocking their potential and providing constructive feedback are true leadership qualities.

Leadership was a specific focus area in 2013, when the final programme in our Leadership Pipeline Framework was implemented. From now on, all of our leaders will take part in leadership training when they change from one leadership level to another – for instance when they enter their first leadership role or when they move to a role in which they have their own management team. In 2014, as the initial step of a longer journey, all leaders will participate in people performance management training to further strengthen Nordea's people performance culture.

The employee satisfaction survey 2013 shows that employee satisfaction with their immediate managers remained at an index rate of 79 on a scale of 0–100, confirming that Nordea's managers are above the industry average. The index rate for living our values remained stable at 79.

Continuous feedback to support successful performance

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

The ESI survey is a checkpoint for Nordea as an employer. It shows what our employees think about our employment practices, governance standards and values. In 2013, the ESI response rate remained at 94%. This high response rate indicates a commitment to improving the operations together. We follow up on the feedback from the ESI both at local and group level.

The foundation for successful performance is understanding the expectations and responsibilities of one's work. To ensure this is the case, an extensive project renewing all job descriptions was carried through last year to clarify expectations and responsibilities related to each position at Nordea. In the yearly PDD, employees and leaders discuss the performance and potential competence and career development. In 2013, 97% reported to have participated in this review process.

Competence development is crucial for our business

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

Development is the joint responsibility of the manager and the employee. It is supported by feedback, coaching and mentoring as well as formal training programmes. Most development is, however, realised in daily work, because this is where competencies are put to use. Helping our employees reach their full potential is crucial, as their skills and dedication keep us ahead and make Nordea great. The Talent Management process ensures that we have strong leaders, competent specialists and high-quality succession.

A company with many possibilities

Mobility is key for competence development. We advertise our vacancies internally and strive to find candidates among our colleagues. One way to learn about jobs and competence needs within the Group is to join our career days, which are run on a country basis. Most career mobility takes place within the same country although we know that the opportunity to work cross border and in different value chains is greatly valued by our staff, not least participants in our Graduate Programme. Nordea's Graduate Programme plays an important role in bringing new talents into the bank. The programme is in high demand, and hence a measure of our ability to attract some of the best young talents. Graduates are hired for a particular position and combine work with the Graduate Training Programme during the first year as a Nordea employee.

Paving the way for more female leaders

Gender diversity is a challenge in many industries and the society at large. Close to 60% of Nordea's employees are women. Despite this, there are few women in leading positions. To understand the challenges specific to Nordea, an analysis was initiated in 2013 to identify the barriers to increasing the share of women in leading positions. A plan was created to ensure that more female talents are motivated and given the possibility of continuing along the leadership career track.

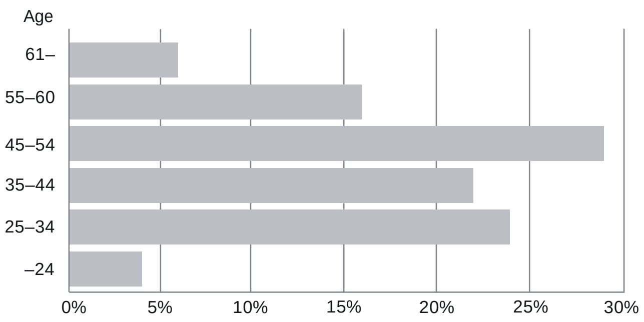
Employee satisfaction survey results

ESI, index	2013	2012	2011
Satisfaction and motivation	72	72	72
Development	73	73	71
Considered a good workplace	77	74	74
Proud to tell others where I work	79	77	76
Recommend others to start working in Nordea	74	72	72

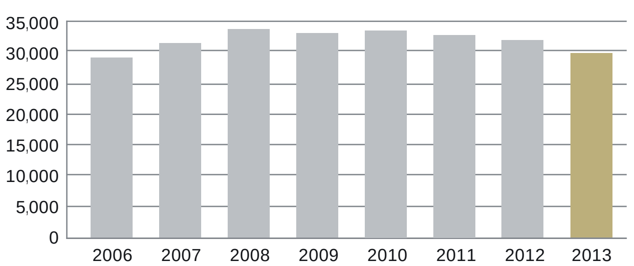
Adjusted, excluding Polish operations

Employees distributed by age

% of employees 31 Dec 2013



Number of employees (full time equivalents, FTEs) (2013 continuing operations excluding Polish operations)



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

Full-time equivalents (FTEs)	2013	2012
Retail Banking	**17,323**	**17,462**
Banking Denmark	3,411	3,568
Banking Finland	3,949	3,984
Banking Norway	1,405	1,402
Banking Sweden	3,250	3,306
Banking Baltic countries	728	805
Retail Banking other	4,580	4,397
Wholesale Banking	**6,037**	**6,066**
Corporate & Institutional Banking	195	213
Shipping, Offshore & Oil Services	87	87
Banking Russia	1,405	1,486
Capital Markets Products	2,092	2,091
Wholesale Banking other	2,258	2,189
Wealth Management	**3,452**	**3,465**
Private Banking	1,216	1,208
Asset Management	564	559
Life & Pensions	1,130	1,181
Savings	319	324
Wealth Management other	223	193
Group Corporate Centre	1,681	1,596
Group Risk Management	572	559
Other Group Functions	358	343
Nordea Group	**29,429**	**29,491**

Sustainability strengthens our relationships

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

Focus areas in 2013 were:

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

Building closer relationships

Everything everybody does at Nordea is to create great customer experiences, and this is embodied in our commitment to customers. Such commitments require us to understand our customers' desires and needs – present and future – and require our customers to understand why we suggest a particular service for them. As we say, "We don't advise you until we know you". Ensuring financial stability for our customers leads to a high level of satisfaction and helps develop closer long-term relationships. In turn, these closer relationships lead to reduced risk for the bank.

> We don't advise you until we know you

Ensuring compliance executing our relationship strategy

Being compliant helps us understand our customers and improve our service to them. Ensuring that we carry out all the necessary steps to ensure compliance in every customer interaction is the only possible way to secure strong relationships. In 2013 we updated the Know Your Customer (KYC) instructions, which provide the basis and framework for ensuring proper knowledge of who we do business with, where their money comes from, and the purpose of their transactions. This was an important focus area because in April 2013, the Swedish Financial Supervisory Authority issued a penalty of EUR 3.5m to Nordea Bank AB for lack of sufficient governance and internal control relating to anti-money laundering regulation. We addressed this by changing AML governance from a national to a business area focus, and established a group-wide programme to track, coordinate, and report on AML-related activities across the bank.

> Making sure that we carry out all the necessary steps to ensure compliance in every customer interaction is the only possible way to secure strong relationships

Making responsible lending and investment decisions

We are committed to integrating Environmental, Social and Governance (ESG) considerations into our lending and investment decisions. By lending responsibly and making informed investments, we ensure the stability of the bank and help our customers thrive.

In 2013 we continued developing our ESG risk assessment tools and processes in lending to help us identify and focus our efforts on potential higher risk cases. We have now developed a two-fold approach – one for small and medium-sized corporate customers in Retail Banking and another for large corporate customers in Wholesale Banking.

In Retail Banking, we will incorporate the ESG analyses as part of the Know Your Customer (KYC) process, whereas in Wholesale Banking, we will introduce a new ESG analysis tool, which we piloted in 2013. As well as for Wholesale Banking, this tool will also be used with Retail Banking corporate customers, when the initial KYC process indicates a need for deeper analysis.

We also consider ESG issues in our investment decisions. Nordea already offers funds' that contain companies with ESG aspects at the core of their business. In 2013 we took this a step further by initiating a process to integrate both positive and negative ESG data as factors in assessing all investments. As well as better controlling risk in an investment portfolio, full ESG integration will strengthen Nordea's profile as one of Europe's leaders in responsible investment.

Nordea's policy is to engage for change with companies that violate international norms or have significant room for improvement in relation to ESG issues, and only to disengage as a last resort. Our RIG team also engages with companies affected by issues deemed to be increasingly important in the future, and conducts field visits to better understand the challenges and opportunities that companies face. At 31 December 2013, 23 companies were excluded from all Nordea Asset Management's investment funds (see www.esg.nordea.com/engagment for the full exclusion list).

People who feel good perform well

Nordea's people are vital to delivering great customer experiences, and attracting, developing and maintaining highly motivated people are among our highest priorities. Today, employees expect flexibility and inde-

> By considering environmental, social and governance issues in everything we do, we will continue to improve our relationships with customers and other stakeholders, and reach our business goals

pendence, and presence is no longer as important as performance. Increased regulatory requirements and complexity in the financial industry create the need for constant learning.

We aim to manage and develop our people so their career aspirations are fulfilled, they enjoy a good work/life balance and they are engaged and motivated to perform at their highest level. To achieve this, we have drawn on Nordea's values as the basis of our People Strategy: great leadership and talent management, strong performance culture and operational excellence.

Great leadership and talent management are vital and leadership was a specific focus area in 2013. We implemented the final programme in our leadership pipeline and approx. 30% of all leaders participated in the programme in 2013. Going forward, all leaders stepping into a new managerial role will participate.

Developing tomorrow's leaders also requires us to identify the barriers to increasing the percentage of women in senior positions. In 2013 we created a plan to address this challenge and launched three initiatives: Setting requirements for the improvement of gender balance, Supporting leaders to make the change happen in practice and Developing support for dual career families.

When employees feel good at work, their performance improves. Although the well-being of our employees is already an important element of daily work in all our countries of operation, we are now looking into the need for a common group structure. In 2013, we implemented a well-being framework as a pilot in Finland. Once the experiences from the pilot have been analysed, we will decide whether to implement a similar structure in all countries.

> "The initiatives aim to change the culture of Nordea, so that in the future we will have many more women in executive positions."
> *Christian Clausen,*
> *President and Group CEO*

Understanding stakeholder expectations helps us develop our strategy

Listening to our stakeholders keeps us on the right track. In 2013 we conducted an interactive web-based 'virtual brainstorming' dialogue with all our stakeholders – customers, shareholders, employees, suppliers, analysts, authorities and NGOs. The survey generated over 4,000 responses with more than 5,300 suggestions on how we can be a more responsible bank. As we incorporate these into our Sustainability strategy, we can be confident we will be addressing the concerns of our stakeholders. We believe that, by being accountable in this way, we can build trust in Nordea, which helps us achieve our business goals.

> 5,300+
> ideas for our business

Nordea's CSR Report 2013, available on www.nordea.com/csr

Business Areas

Business Areas are very well positioned to deliver on the plan

Retail Banking

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

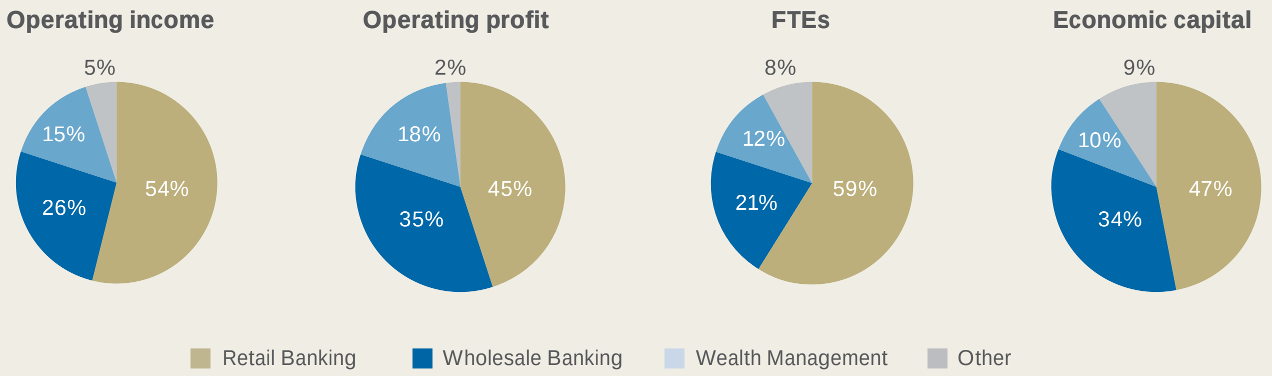
Wholesale Banking

- Leading wholesale bank in the Nordics
- Uniquely positioned combining strong local presence with global product capabilities
- Successful markets strategy with significant earnings growth

Wealth Management

- Largest private bank, asset manager and life & pensions provider in the Nordics
- Fastest growing wealth manager supported by strong net inflows
- Strong product capabilities supported by investment outperformance

Business Area contribution, 2013



In 2013, Nordea established a financial plan for increased return on equity (ROE), the 2015 plan. The plan was set in order to shape the future of Nordea for sustainable profitability and efficiency, closer customer relationships and a solid capital position.

The key components to increase ROE are solid income generation, strict cost control, improved capital efficiency and maintaining of the low-risk profile. The Group initiatives and levers that are set to reach the target are reflected in the Business Area plans in Retail Banking, Wholesale Banking and Wealth Management.

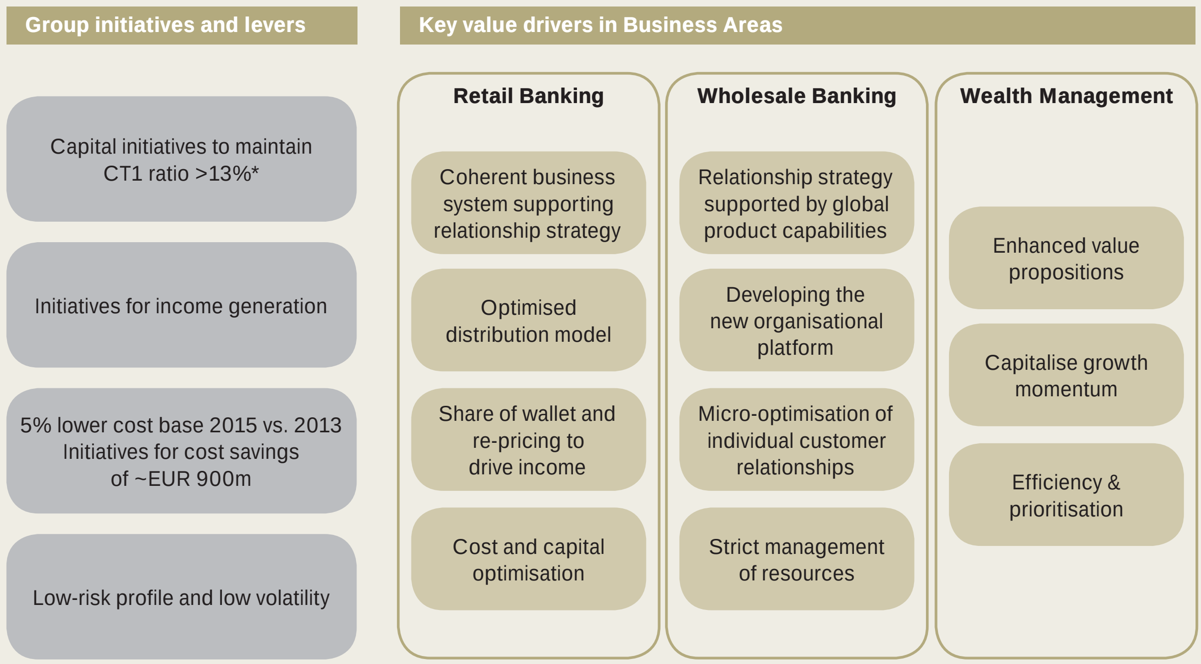
The key value drivers in the Business Areas are presented in the scheme of Business Area plans on the next page. Solid income generation is to be achieved by focus on ancillary income growth and efficient financing solutions with fair and transparent pricing. It is thereby supported by continued emphasis on strong corporate and household customer relationships and strict control of risk-weighted assets.

2013 was another year of low growth and interest rates declined to record-low levels. In this environment, Nordea delivered a stable income level, costs have been flat for 13 consecutive quarters, loan losses decreased and operating profit increased.

With loan demand, customer activity and interest rates foreseen to be lower than previously expected, Nordea will accelerate its cost-efficiency programme. Becoming even more efficient and reducing costs further will enable Nordea to adjust the capacity to the lower activity level and to maintain the position as a strong bank, which is fundamental to meeting customer needs and to the relationship strategy.

Nordea's strong position is underpinned further as, for the third year in a row, British financial magazine World Finance named Nordea the "Best banking Group in the Nordics". Greenwich survey showed that large companies in the Nordics rank Nordea the leading bank in the Nordics, further supported by the Euromoney awards "Best Bank" and "Best Investment Bank" in the Nordics and Baltics.

Business Area plans focused on Group initiatives



* Nordea is currently steering the bank towards a core tier 1 capital ratio of 14-14.5%

Market positions, 2013

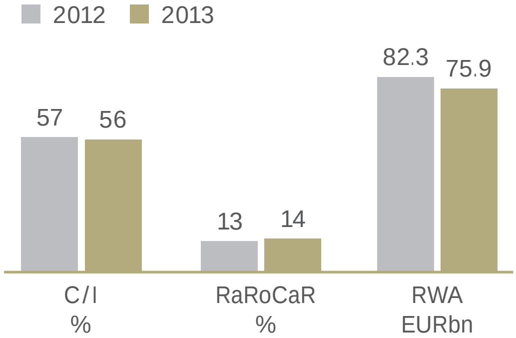
	Denmark	Finland	Norway	Sweden	Estonia	Latvia	Lithuania	Russia	Shipping int'l, Lux.	Total
Number of customers, 000's										
Corporate customers	52	125	88	238	19	10	7	5	2	546
Household customers								63		
Household customers in customer programme	1,609	2,464	880	3,243	124	102	150	n.a.		8,572
– of which Gold and Premium customers	728	1,022	295	992	25	17	16	n.a.		3,095
(change 2013/2012, %)	1%	1%	4%	3%	0%	–21%	–6%			2%
Private Banking	44	28	11	19	0.8	1.0	0.4	n.a.	9	113
(change 2013/2012, %)	2%	4%	10%	36%	44%	8%	20%			7%
Net banking, active users	967	1,344	331	1,474	95	101	146	n.a.		4,458
(change 2013/2012, %)	5%	3%	–1%	2%	7%	0%	2%			3%
Mobile banking	313	350	99	611						1,373
(change 2013/2012, %)	92%	62%	57%	40%						74%
Number of branch locations	186	231	93	256	16	13	10	19		824
Market shares, % (change 2013/2012, %–points)										
Corporate lending	24 (0)	35 (5)	13 (0)	14 (–1)	22 (0)	17 (0)	13 (0)	1 (0)		
Corporate deposits	27 (0)	43 (8)	12 (–2)	16 (–2)	13 (0)	8 (+1)	11 (+1)	1 (0)		
Institutional investment funds	4 (0)	33 (+3)	9 (0)	9 (+1)						
Household investment funds	17 (+1)	24 (0)	16 (+1)	13 (0)						
Life & Pensions	15 (–2)	39 (+11)	15 (0)	6 (+1)						
Household mortgage lending	17 (0)	30 (0)	11 (-1)	15 (0)	15 (0)	19 (0)	12 (0)	<1		
Consumer lending	20 (0)	31 (1)	7 (0)	8 (0)	9 (0)	2 (0)	10 (0)	<1		
Household deposits	23 (0)	30 (–1)	8 (0)	16 (0)	6 (1)	6 (0)	3 (1)	<1		

Business Area
Retail Banking

2013 performance and strategic direction

- Deliver on the 2013–2015 financial plan
- Diversified franchise covering the Nordics and Baltics delivering growing income with low volatility
- High customer activity and many new customers, 88,000 externally acquired relationship customers in 2013, 1.9 million customer meetings
- Top line growth in local currency driven by increased lending margins, higher net fee and commission income and growing sales of investment products. Operating profit increased by 8%
- Reduced net loan losses
- Developing a true multichannel relationship bank

Key figures



Nordea has the largest customer base of any financial institution in the Nordic region. Retail Banking serves around 10 million household and corporate customers in seven markets through a multitude of channels. Household and corporate customers are served on all financial needs. The business area incorporates the whole value chain including advisory and service staff, channels, product units, back office and IT.

Retail Banking operates under one common strategy, operating model and governance system across markets. In each of our markets our main focus is to deliver great customer experiences.

Strategy

Retail Banking's ambition is to create a leading retail banking operation in the Nordic region – in terms of profitability, efficiency and customer experience. The ambition builds on a strong commitment to relationship banking. Our plan is to further strengthen our online offerings to cater to customer needs and preferences. And to carry through the required digitalisation and simplification of processes and products to deliver scale at a reduced cost.

Nordea is open for all customers. Segmentation, differentiated value propositions, emphasis on servicing the full customer wallet and fair pricing are the tools to make all customer relations profitable.

The relationship customers have access to our advisers in order to cover their banking needs. Our advisers are also proactively contacting customers with further business potential.

We witness fast changes in customers' way of using the bank these years. Customers increasingly make use of our online services. As part of our multichannel relationship strategy, in addition to the development of our branch network, we continuously expand the opportunities for customers to interact with us as they prefer, whether it be through mobiles or tablets, calling our contact centre, using the Netbank, teaming up with an adviser in a net meeting, getting a fast answer to an inquiry via Facebook etc.

Across channels we had close to three billion contacts with our customers throughout the year.

We aim to get the customer experience right in each touch point. Each contact is an opportunity to deliver on our brand.

Nordea's branch network has been through the same major restructuring in all countries. We have today established a more efficient and customer-focused branch network with proportionally more of our employees focusing on value-creating advice. The further development of the branch network will be driven by country market differences based on changes in customer behaviours combined with continuous optimisation of our distribution mix.

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

Re-pricing will continue to be an important vehicle both on the lending, deposit and fee side.

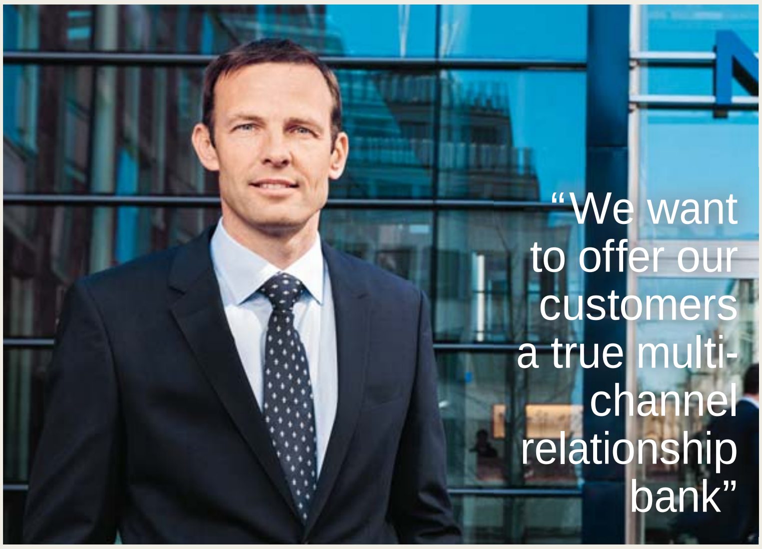
Through cost, capital and funding efficiency measures, moderate business growth will be possible.

RWA efficiencies are concentrated to three areas:

- Allocating capital to the most profitable business
- Capital-optimisation of individual customer relationships, securing less capital-intensive solutions
- RWA efficiency in models and internal processes.

The main drivers for keeping costs flat derive from optimisation of processes, an IT application landscape clean-up, continued optimisation of the distribution mix, digitalisation, a continued reduction of manual cash handling combined with customers' increased use of online banking solutions.

Manual processes will be further centralised and some of them off-shored to the Nordea Operation centre in Poland.



Lennart Jacobsen is Head of Retail Banking.

"In a challenging 2013 we have attracted many new customers, rapidly increased the mobile banking usage and improved capital efficiency. The fact that so many new customers chose to bank with us demonstrates the strength of our multichannel relationship strategy. Some banks have built their business model on pushing products to their customers. Other banks on serving customers via one channel only. In Nordea, relationship banking is our strategy. More and more of our customers want to bank with us online. Thus, we want to offer our customers a true multichannel relationship bank expanding the concept of personal banking beyond the branch." says Lennart Jacobsen, Head of Retail Banking.

Household customers

The strategic aim of Nordea's household strategy is to attract new profitable customers combined with leveraging all potential in the existing customer base. The pillar in the strategy is segmentation of customers and differentiating both value proposition and resource allocation according to segments. Centrally supported CRM, and strict resource allocation create a highly efficient sales model.

In all markets, we notice a constant inflow of new relationship customers. In 2013, Nordea acquired more than 88,000 new Gold and Premium customers. We are proud that so many new customers chose to bank with Nordea. New customers are an important part of our strategy to secure top line and future income. The strategy is further to identify potential Gold and Premium customers among the Silver and Bronze segments and grow these to become gold or premium customers using a structured approach to increase business volume. Relationship banking for Gold and Premium customers has been developed with named advisers for all customers combined with the option to draw on the bank's specialists within housing, savings and investments etc.

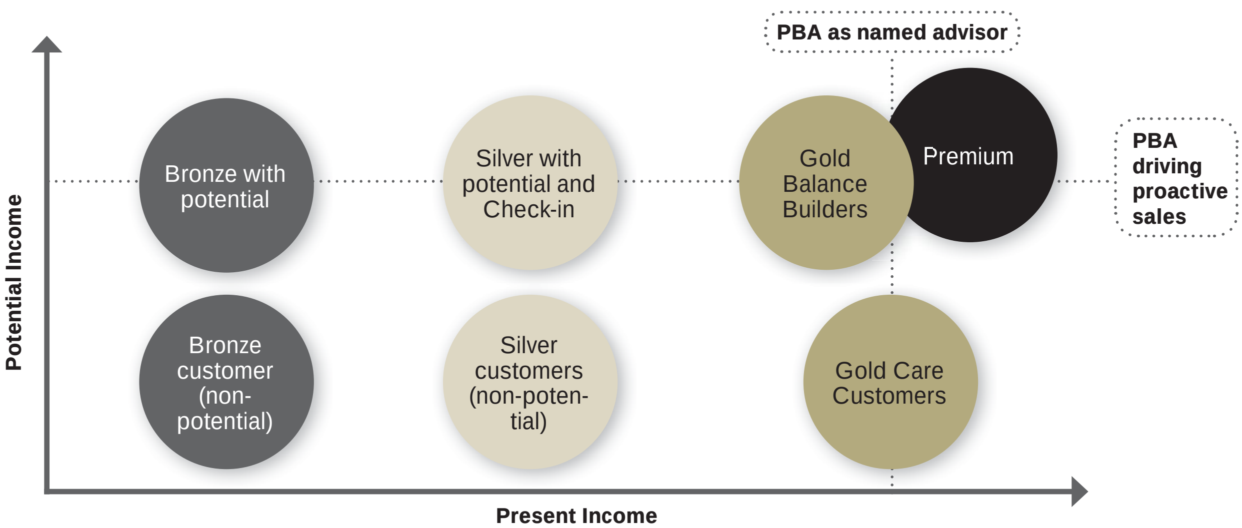
In 2013, Nordea's household advisers conducted 1.6 million meetings, driving income and also contributing to high retention and customer satisfaction.

Changes in customer behaviour drive changes in our offerings

The way customers interact with Nordea continues to develop with the total number of customer interactions on the rise. For instance, every day we get more than 1,000 new mobile banking customers. Over 1.3 million customers are now taking advantage of the convenient options for everyday banking through Nordea's mobile offerings. An increase of around 500,000 in one year. Banking via tablets is also becoming increasingly popular.

To better cater to customers' needs, we are changing the Contact Centres towards offering customers support with a broader range of errands. Besides a general competence upgrade, more specialised high-level advisory competencies are added. Based on continuous customer experience follow-up, customers served by our people at the contact centre are most likely to recommend the service we provide to their peers.

Customer strategy based on income and potential



Topi Manner, Head of Banking Finland

> A key success factor for Retail banking is the ability to combine our strength – deep customer understanding – with our customers' preference for increasingly doing business with us online

Customer-driven strategy

Customer-driven strategy

Understanding and knowing our customers' needs is the cornerstone of Nordea. We aim to build long-term customer relationships where we know the customer's needs very well. Our aim is to provide customers with the best advice and services in all life situations.

Advice for every life event of a customer

At Nordea, everything is customer-driven. All relationship customers have an appointed personal adviser. The personal adviser identifies the customer's needs and – if necessary – can resort to further specialist advisory from an array of specialists at the bank This set-up enables proper advice for every life event of a customer.

- When we meet our customers, we go through the whole banking business from daily services to insurances and savings to ensure that we uncover all of the customer's needs. With the customer's needs as our starting point, when relevant for the customer, we can draw on our specialists to offer deeper advice within specific areas for the best possible result, says Topi Manner, Head of Banking Finland.

Well adapted to online services

Our customers are increasingly banking with us online.

- The future of Retail banking is that we can combine our strength – deep customer understanding - with our customers' preference for increasingly doing business with us online. More and more of our customers demand advisory services independent of time and place. We are developing a true multichannel relationship bank to support that, ensuring even better integration between the different channels and enhancing a more seamless customer experience. Simplicity is a key driver for making it easier to do banking with Nordea, says Topi Manner.

Corporate customers

Retail Banking's corporate business is segmented into small entrepreneurs, small, medium and large corporates. A clear segmentation enables us to be disciplined and have a structured approach to the way we interact with our corporate customers. One sales process covers all our markets and Nordea's relationship manager structure with assigned customer teams serving our larger corporates is key to generating great customer experiences. Our strategy has been successful and has led to increased asset productivity and capital efficiency.

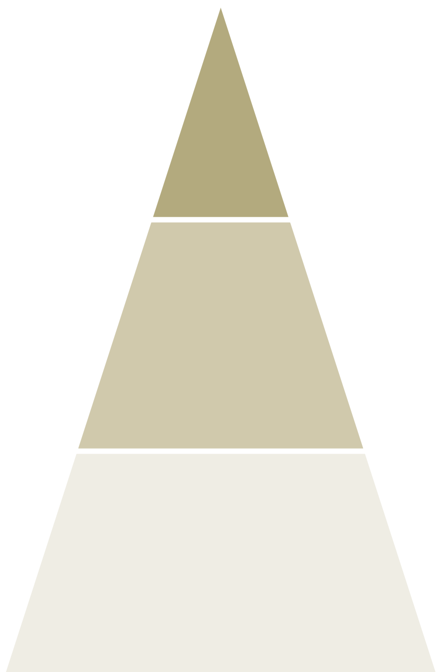
- In 2013 Nordea conducted close to 327,000 meetings with corporate customers
- In local currencies, Retail Banking has in the last half year grown its lending to corporate customers by 1%.

Due to our size, broad competence and balance sheet, our corporate Retail Banking customers only need one bank. Our strategic aim is to become the house-bank for corporate customers and attract new profitable customers with whom house-bank relationships can be built. The formula to become house-bank is to have a clear emphasis on relationship banking, and having a holistic view of the customer's business and financial affairs. The house-bank relationship is based on the mutual understanding that the relationship creates value for both the customer and the bank.

Nordea is currently the house bank of the main part of our corporate customers and the ambition is to increase that share, which in turn will generate further business growth. The different type of products offered include: lending, risk management products, transaction products, cash management, corporate Netbank, trade and project finance, custody services, finance products (leasing).

A maintained focus on delivering top-quality advise, an extensive product range and tailoring, fair pricing and close personal relationships prevail. Furthermore, Nordea will continuously develop better online solutions for our corporate customers.

Corporate strategy



Segments:	
Large	"One point of entry" through a Senior Relationship Manager (SRM) creating the partnership and having insight into the customer's strategy and business environment
Medium	"One point of entry" through a Relationship Manager (RM) responsible for the total business relationship and having understanding of the customer's business and an overview of customer's need for financial services
Small entrepreneur	One adviser as the single point of entry to the bank is prepared to analyse the customer's needs for financial services both within corporate and household
Small	Standardised customer offering

Anders Jensen, Head of Banking Denmark

> It is our unique combination of knowledge gathering and advisory competences that makes Nordea a value-adding partner for our customers. We trust that relationship banking makes the difference. Only by teaming up with the customer we can design solutions which meet their needs and wishes

Teaming up creates Great Customer experiences

Teaming up creates Great Customer experiences

New enterprise solutions are not created by looking back. Nordea believes in and supports its corporate customers having the courage to look forward to seek new opportunities. We do this by supporting them in their development process.

Nordea puts an effort in understanding the customer's business model. We share our view and valuation of the company – strengths and weaknesses - with the customer. Establishing a partnership also means honesty and persistency.

Nordea is prepared to support its customers in their development process and to deliver advice that adds value. Trust and transparency builds partnership.

– One of the cornerstones in our value proposition is the relationship manager who acts as focal point in the customer relationship. The relationship manager meets the customer regularly, preferably at the customer's premises. At the meetings they build knowledge and understanding of the company's DNA. At our 360-degree meetings the relationship manager dives into the actual situation for the company, results and budgets, but focuses mainly on opportunities – customers/suppliers, market/competitors, products – and how Nordea can support the customer with financing, liquidity, risk mitigation, e.g. foreign currency risk, transactions and services, Anders Jensen, Head of Banking Denmark explains.

The relationship manager is responsible for connecting the customer with the right corporate specialist competences within Nordea, be it trade finance, structured finance or cash management at the right level. Our specialists have specific competences to support the customer in identifying opportunities and creating tailor-made solutions. Specialists meet the customer together with the relationship manager and team up internally – across Nordea units and across countries – to share knowledge and combine products and services in the most optimal and efficient way for the client. As a supplement, Nordea offers customers updated macro-economic analyses and forecasts of specific interest to the customer with respect to e.g. a specific industry or export market.

Nordea's customer perspective is holistic. We offer full-scale solutions to our customers, not only financial support related to the business unit itself, but also advice for the owners e.g. investment of personal wealth or generational change and pension schemes for employees. Customer satisfaction is measured at every meeting. We aim to act with agility and be responsive to the customer feedback. It is Nordea's unique combination of knowledge gathering and advisory competences that make us a value adding partner for our customers. Nordea trusts that relationship banking makes the difference, only by truly teaming up with the customer we can design solutions that are sufficiently targeted to their needs and wishes.

Business development

Retail Banking has continued with its customer-centric focus in 2013, supporting both corporate and household customers, in combination with a strong commitment to maintaining flat costs and RWA. Together with a continued re-pricing of the lending book and other measures to increase income, e.g. increased cross-selling activities, this has secured an improved profitability and created the foundation for delivering in line with the 2015 financial plan.

The number of Gold and Premium customers amounted to 3.09 million, an increase of 57,000 in 2013. Close to 2 million household and corporate advisory meetings were held.

Through the continuous development of the multichannel offerings, Nordea can accommodate customers' different preferences and financial needs. While the number of netbank logons remains rather stable, the number of mobile logons has increased by 117% in the last year.

Result

In local currencies, total income increased slightly compared to last year. A positive development in lending spreads was a main driver for the increase in net interest income. Lending to household customers increased while the demand from corporate customers was moderate. Deposit volumes grew while lower short-term interest rates had a negative effect on earnings. High interest in investment products supported growth in net fee and commission income.

The number of employees (FTEs) was down 1% from the end of 2012, following the continuing efficiency initiatives executed throughout the entire value chain. These initiatives have more than compensated for inflation, increased investments in prioritised areas, e.g. mobile banking, and further strengthening of the compliance area.

Banking Denmark

Business development in Banking Denmark was solid during the year, despite the general moderate activity level in the Danish economy. The relationship banking model continues to attract customers and new externally acquired Gold and Premium customers amounted to 30,600, which is up 8% compared to previous year. For the fifth consecutive year Nordea was named “Bank of the Year” in Denmark by The Banker magazine.

A stabilisation of the housing market not least around the larger cities was visible during the year. Housing loan volumes increased, as did the market share. The activity level among corporate clients is moderate with low investments, though there was a relatively high inflow of corporate customers during the year.

Loan losses decreased compared to 2012 but remained at an elevated level due to the prolonged subdued economic environment.

Banking Finland

The intense customer activity during the year was acknowledged by The Banker magazine, which named Nordea “Bank of the Year” in Finland for the second consecutive year.

Close to 19,000 new Gold and Premium customers were welcomed to Nordea. Change in behaviour has been noticed in the savings area as people's retirement savings to a greater extent tend to be based on individual savings plans. This, in combination with the low interest rate levels in the market, contributed to good sales of investment products.

Activities towards corporate customers contributed to increased volumes, especially among SMEs. There was also a positive development in lending fees and markets income. Despite the increased volumes, risk-weighted assets (RWA) decreased, partly due to the fact that new lending was to a large extent made to high-rated corporate customers.

Banking Norway

Income momentum was strong in 2013. Main focus areas were further improvements of risk pricing and capital efficiency initiatives as well as savings products and online/mobile banking development. Chat possibilities through nordea.no have been introduced during the year, both for household and corporate customers. Customer feedback is very positive since customers perceive this as an efficient way to get in contact with the bank. The number of externally acquired Gold and Premium customers was 9,700.

Risk-weighted assets were down by 16%. Higher lending volumes in local currency were more than offset by efficiency initiatives in the corporate segment and the depreciation of the NOK.

Banking Sweden

The improving trend of the Swedish economy diminished somewhat in the latter part of the year. Corporate customers' demand for financing remained modest at the same time as competition for new lending contracts was fierce. Lending volumes decreased by 6% in local currency.

The relationship banking model continues to attract customers and new externally acquired Gold and Premium customers amounted to 29,500, which is 25% more than the previous year. Mortgage lending volumes increased by 9% in local currency. The growth in deposit volumes showed a good development with a 4% increase and demand for investment products was also high.

Risk-weighted assets (RWA) were down 2% in local currency following a number of efficiency initiatives.

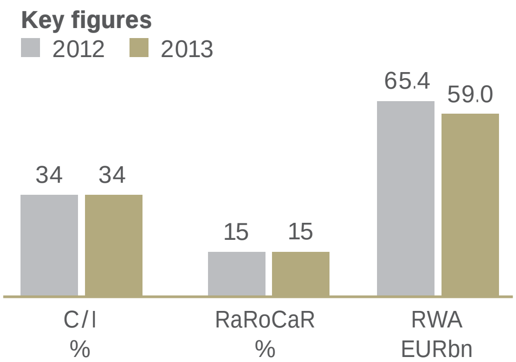
Banking Baltic countries

Nordea was named "Bank of the Year" in Estonia by the Banker magazine. Nordea's focus on relationship banking in the Baltic countries has strengthened customer loyalty in targeted segments. The Baltic countries are expected to benefit from the improving labour market conditions and the positive consumer sentiment will continue to benefit domestic consumption. Furthermore, unusually low inflation has benefited a growth in real wages. A slower than expected recovery of the world economy and cautious corporate demand have reduced investments. However, similar to in the last three years, the Baltic economies are expected to remain among the fastest-growing EU economies.

Business Area
Wholesale Banking

2013 performance and strategic direction

- Further strengthening of the relationship strategy
- Reinforced capital markets franchise
- Declining operating income reflecting the weak economy and challenging trading environment
- Effective resource management with reduced RWA and a highly competitive cost/income ratio
- Declining loan losses following lower provisions in shipping
- Business selection and discipline driving repricing, capital allocation and increased returns



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.

Strategy

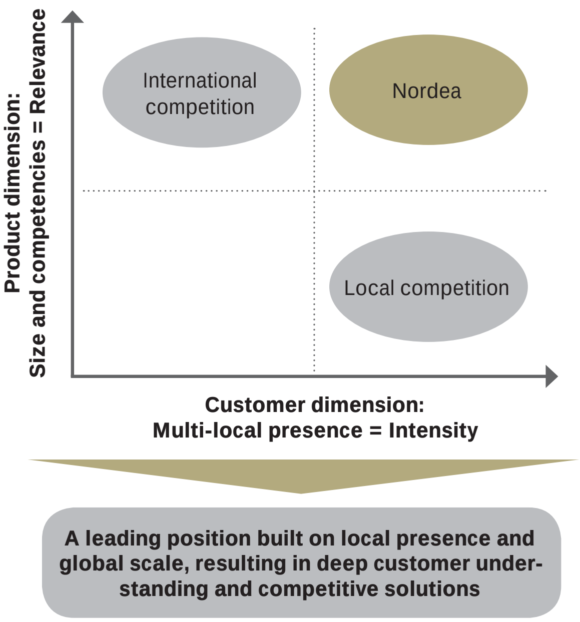
Wholesale Banking's strategic position and operating model are built on global product capabilities and strong local presence. The strategy ensures deep knowledge about customers, their industries and associated business risks. The broad customer interface across products and markets enables Wholesale Banking to establish core/lead relationships with customers.

The leading position is leveraged to further strengthen customer relationships and drive cross-selling and income growth, and to provide customers with access to attractive financing in the capital markets. Numerous awards and surveys during the year, e.g. from Greenwich, Prospera and Euromoney, as well as league table rankings, are testimony to the successful execution of the strategy.

Wholesale Banking is developing its organisational platform to further simplify processes and secure value-chain alignment. Effective leadership and harmonised processes facilitate implementation of new regulations with minimum impact on the customer experience.

A thorough process for business selection and discipline, at both customer and transaction level, is used to allocate resources and monitor and manage customer profitability. Effective business selection and regular repricing drive income growth, improve capital allocation and increase return.

Strategic positioning



Casper von Koskull is Head of Wholesale Banking.

“With our strategy and organisation fully implemented it is all about execution and continuous improvement”, says Casper von Koskull, Head of Wholesale Banking.

“In 2013, we continued to strengthen our platform. We have improved our capital market related areas, our international branch network and our cash management offering. All of this enables us to service customers better and make sure we can capture an increasing part of our customers’ financial needs.”

Nordea Markets – a leading capital markets and investment banking organisation

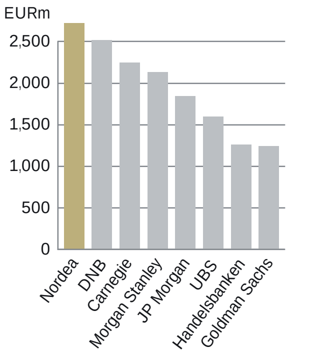
Nordea Markets is the leading capital markets and investment banking organisation in the Nordic region. It is a customer-driven operation, providing financial market solutions, capital market access and advisory. Markets is fully integrated into Nordea's relationship strategy with focus on building strong customer relationships.

Nordea Markets works closely together with the customer units in Retail and Wholesale Banking to leverage its strong access to the Nordic and international capital and loan markets in order to ensure attractive financing and risk management for the customers.

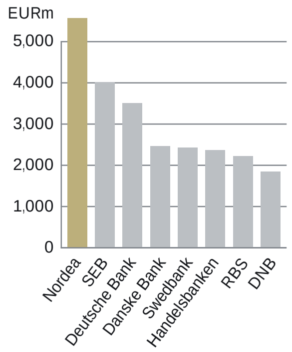
Customers are serviced by Nordea Markets from a strong local footprint in the Nordic and Baltic Sea regions with complete operational centres in all capitals, plus regional offices across Denmark, Finland, Norway and Sweden. Furthermore, Nordea Markets has offices in London, New York, Singapore and Moscow.

Customers are offered free access to market information, research, analytics and trading through the award-winning e-Markets platform. Nordea Markets was rated best bank for electronic dealing in the Nordic region by Prospera.

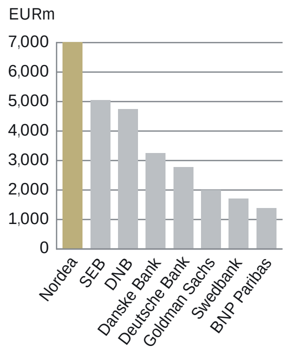
Nordic ECM market (excl financial institutions), bookrunner 2013



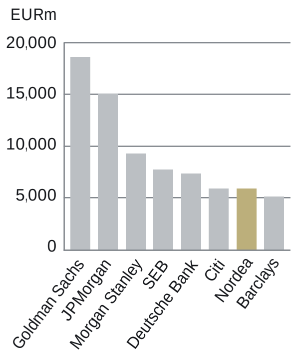
Nordic corporate bond benchmark, bookrunner 2013

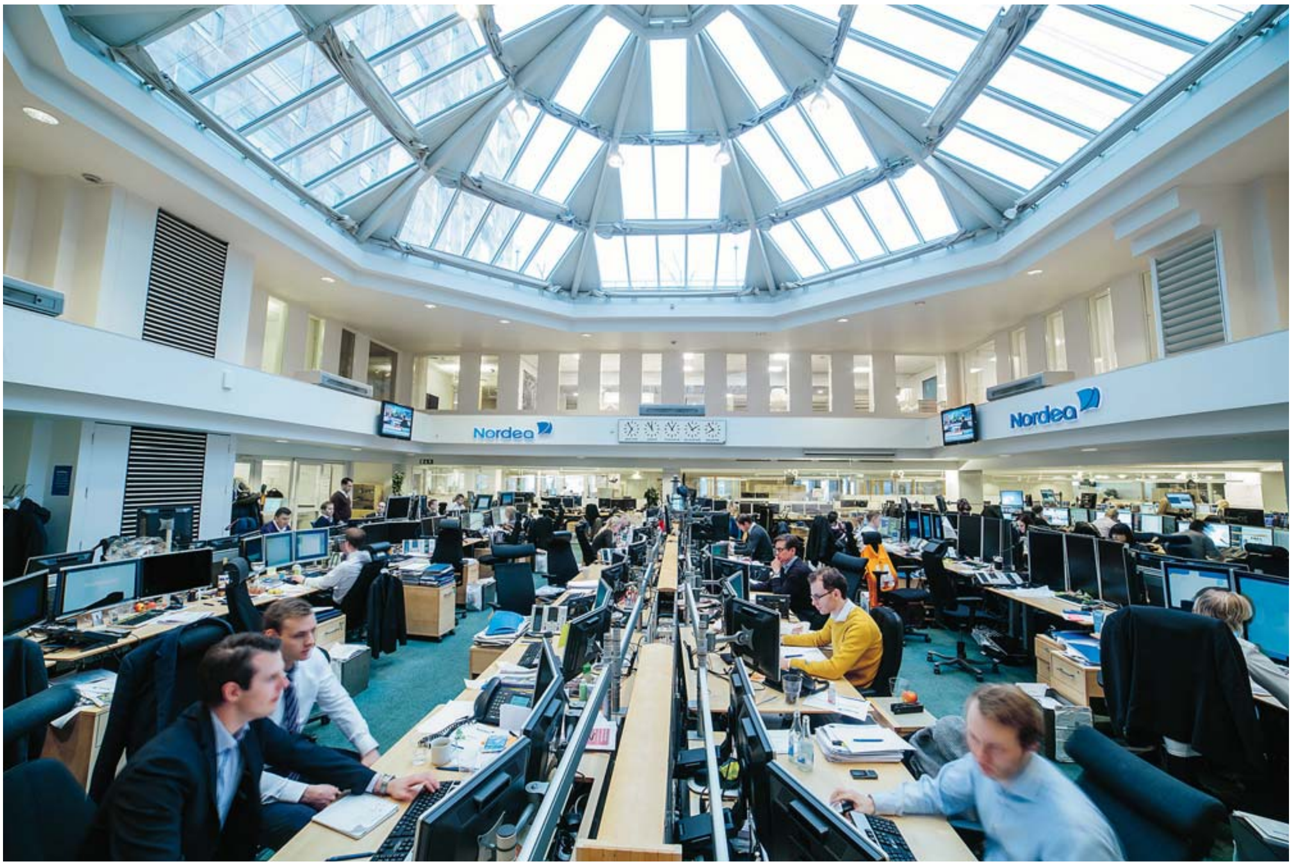


Nordic syndicated loans, bookrunner 2013



Nordic mergers and acquisitions 2013





Division Heads Markets, from left to right: Svante Andreen (Co-Head of Investment Banking), Martin Persson (Co-Head of Equities), Mads G Jakobsen (Head of FICC), Jan Rasmussen (Co-Head of Investment Banking), Gorm Praefke (Co-Head of Equities)

Markets FICC – solutions that reduce uncertainty

FICC is the division in Markets responsible for sales, research, structuring, and trading in fixed income, currencies and commodities products and the associated derivatives. The scale and scope of our operations and the extensive product and structuring expertise allow FICC to advise customers on risk management solutions that reduce uncertainty and minimise the negative impact of fluctuating interest rates, export currencies and raw material prices.

FICC has successfully developed its leading franchise through close customer interaction and a high advisory and service content. Consequently, FICC has the broadest customer base in the Nordics spanning from the small and medium sized corporate customers to the major Nordic and international institutional customers.

FICC is internationally recognised as the leading capital markets provider in the Nordics and has consistently ranked number one in foreign exchange across the Nordic countries in the Prospera surveys.

Markets Equities – a significantly stronger position

Equities is the division responsible for secondary equity cash and derivatives sales, research, trading, and equity finance.

Nordea has significantly strengthened its position within the equities area. Following several years of continuous improvements in both sales and research, Nordea reached the position of largest Nordic broker by market share for Nordic cash equity on NASDAQ OMX in the fourth quarter. Furthermore, the annual Prospera survey ranks Nordea as number two in the Nordic region, up from number five three years ago. And for the second consecutive year, Nordea Equity research was awarded the Thomson Reuters Nordic Starmine Award for best stock picking and earnings estimating.

To further develop its market position, Equities has established a sales team targeting international customers from Finland, Sweden and the newly opened London office which is operational as of January 2014.

Markets Investment Banking – Nordic leader in bonds and syndicated loans

Investment Banking is responsible for M&A advisory, primary equity and fixed income as well as corporate and leveraged finance.

Investment Banking plays a key role in originating and executing event-driven transactions for Nordea. The starting point is often customers' strategic discussions resulting in M&A activity and/or credit and capital market financing. Leveraging the strength of the relationship strategy, and working closely across Wholesale Banking units, Nordea services customers in all aspects of large-scale transactions including intermediate financing structures and hedging of risks.

Nordea is top-ranked as bookrunner for Nordic corporate bonds and Nordic syndicated loans according to Dealogic and one of the largest Nordic players in the M&A market. The strong position was further evidenced by the Euromoney awards 2013 for Best Investment Bank, Best Debt House as well as Best M&A House in the Nordics & Baltics.

The Management Team of International Units, from left to right: Lars Kyvsgaard (Singapore), Henrik Steffensen (New York), Gunnar Volkers (Frankfurt), Norma McGovern (Operational Risk and Compliance), Anne-Margrethe Firing (Head of International Units), Truls Birkeland (London), Peter Chappell (Financial Control and Operations), Corrado Forcellati (Shanghai)

International Units – customer support around the globe through five major financial centres

International Units represents a key element of Nordea's relationship strategy. Wholesale and Retail Banking corporate customers are supported around the world through the branches in five major financial centres – New York, London, Frankfurt, Singapore and Shanghai. In addition Nordea has long-established representative offices in São Paulo and Beijing offering support and banking advice in these markets.

International Units provides a comprehensive range of banking products, a high service level and are fully integrated into the Wholesale Banking operating model. The branches and representative offices act as a bridge towards the Nordic region as well as other parts of the world where Nordea has an industry focus.

The customers' banking requirements are supported in the familiar Nordea environment with expert staff proficient in local business and banking practices. The Nordic business approach and cultures are understood and work is carried out in close cooperation with the Nordic customer units to ensure customers are provided with fully integrated banking opportunities and support.

The products and services delivered are driven by customers' requirements and expectations and the roll-out of the global cash pool to the UK and Germany is one good example of how Nordea facilitates integration of customers' international activities.

International Units also plays a crucial role in supporting product units' business development, exemplified by the new set-up for Equities in London and strengthened FX activities in Singapore.

International Units has a strong team of highly skilled and dedicated employees, with a mix of local and expatriate staff, and offers a wide range of possibilities for development of personal and professional skills.

Business development

The year was characterised by subdued economic growth which affected the activity level and investment appetite of Nordea's customers. Demand for lending was moderate whereas capital market financing remained attractive with continued high bond issuance. The trading environment was challenging with low capital market volatility.

Wholesale Banking is increasingly leveraging off the strengths of its operating platform. Effective access to capital and loan markets and a strong balance sheet enables Wholesale Banking to ensure attractive financing solutions for its customers. The stronger market position also meant taking on larger and broader roles in prioritised situations. The increased cross-selling and ancillary income reflect the increased importance of new capital-light solutions.

The business area retained a strict focus on business selection, resource management and cost efficiency. This led to a further reduction in RWA and a highly competitive cost/income ratio.

The strength of Nordea's business model was further evidenced by the 2014 Greenwich Quality and Share Leader Awards for Nordic Large Corporate Banking. The competitive position of Nordea's transaction services was underlined by Euromoney's award for Best Cash Manager in the Nordics & Baltics and Global Trade Review's award for Best Trade Finance Bank in the Nordic region.

Banking

Corporate customer activity was moderate with limited capital expenditure and corporate restructuring activity. Lending volumes decreased compared to the previous year, also reflecting active business selection. The daily business was relatively stable during the year whereas the event-driven business improved as a number of large transactions were executed towards the end of the year.

Institutional customer activity was subdued with limited portfolio reallocation and reduced transaction flows.

Customer activity in shipping was moderate with signs of improving activity towards the end of the year. Activity in the offshore and oil services sector was stable.

In Russia, customer activity was stable with continued repricing supporting higher income compared to the previous year.

Capital markets

Nordea Markets delivered a strong result during the year although lower than the high level achieved in 2012.

Fixed income activity was significantly impacted by the low financial market volatility and relatively weak demand for new transactions seen in the third quarter and was otherwise stable. Risk management activity was generally somewhat below last year's level as a consequence of declining new lending and low interest rates, whereas equity and structured products increased compared to the previous year.

M&A activity remained subdued during the year but there was increased activity within capital raising and IPOs. Primary bond issuance remained at a high level, driven by improved investor interest in unrated and high-yield issuers. LBO activity was strong but primarily related to refinancing. Nordea's market position remained strong during 2013.

Result

Total income for 2013 was EUR 2,606m, down 6% from 2012. Total expenses declined by 4% compared to the previous year. Net loan losses decreased due to lower provisions in Shipping, Offshore & Oil Services.

Corporate & Institutional Banking

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

Business development

The overall business activities of the CIB divisions were affected by the modest economic growth in the Nordic region.

Corporate customer activity was driven by daily business with focus on cash management and loan refinancing. The event-driven business activity varied over the year. The bond issuance market developed positively due to the stable capital markets and opened up for issuances from non-rated corporates. Especially the Norwegian bond market showed strong performance. M&A and leverage finance transactions showed satisfactory activity levels during the year, mirroring the economic climate in the region, with an increasing pipeline towards the end of the year.

The institutional customer business was affected by the generally low market activity and moderate interest in risk management transactions.

The competitive pressure from local and international banks intensified for the largest customers as well as the segment below. The increased pressure is seen both in current margin levels and demand for new services.

CIB has successfully executed on the relationship strategy and developed a strong market position. This has been further confirmed by customer surveys in all Nordic countries. During the year the current relationship concept has been subject to review and strengthened to enhance the customer experience and further simplify internal coordination.

The CIB divisions have during the year worked on optimising capital resource management and operational efficiency whilst safeguarding the service levels towards the customers.

Moderate economic activity and strict business selection resulted in reduced lending volumes during 2013. The deposit volumes have decreased somewhat, mainly related to institutional customers but also due to increased competition for cash management mandates.

Result

Total income for the year decreased to EUR 1,619m. Net loan losses increased to EUR 165m, corresponding to a loan loss ratio of 42, compared to 16 basis points in 2012. Total expenses were large unchanged and operating profit decreased to EUR 969m.

Shipping, Offshore & Oil Services

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

Business development

Customer activity in 2013 remained moderate with declining lending volumes compared to 2012. New lending transactions were executed on conservative terms and at increased loan margins on average. Business activity in the NOK bond market continued at last year's high level.

Nordea's lending volume to the Shipping, Offshore and Oil Services industries was EUR 11bn at the end of the year, down 12% from year end 2012. The market conditions in the tanker, dry cargo and containership markets were generally weak during the year and continued to put pressure on values. However, in the latter part of 2013, there was a moderate improvement in freight rates in the tanker and bulker segment, and vessel values strengthened somewhat. As a result of the weak market conditions in many shipping segments during the year, Nordea experienced higher than normal loan losses, although at a significantly lower level than in 2012.

Result

Total income decreased 7% to EUR 354m compared to 2012. Net loan losses decreased to EUR 95m, which corresponds to a loan loss ratio of 83 basis points compared to 185 basis points in 2012. Operating profit was EUR 195m, up EUR 121m from the previous year.

Nordea Markets

Business development

Fixed income customer activity was affected by the continued low financial market volatility and related weak demand for new transactions. Income from the management of risk inherent in customer transactions was similarly affected due to the decline in lending activity and the outlook for continued low interest rates. Customer demand shifted towards credit products as a result of an intensified search for yield while the demand for risk management products declined. Income declined somewhat compared to the previous year and price competition was intense.

The primary bond activity remained strong as customers took advantage of the attractive yields and increased interest in unrated and high-yield issuers. The Norwegian market was strong in the beginning of the year and activity in Sweden and Denmark increased in the second half of the year. Loan syndication activity remained subdued due to moderate demand from corporate and institutional customers. Equity raising and IPO activity increased during the year and Nordea lead-managed a number of successful transactions.

The secondary equity market activity increased somewhat with increased customer activity and a number of primary equity transactions. Nordea continued to improve its market position and gained market share across the Nordics and was the largest Nordic broker by market share for Nordic cash equity on NASDAQ OMX in the fourth quarter.

Result

The majority of the result from Nordea Markets is allocated to the customer units and the residual is included in Wholesale Banking other.

Banking Russia

Nordea Bank Russia is a wholly-owned, full-service bank offering services to corporate and household customers. Its primary business focus is on large global companies and core Nordic customers. The customer base includes 40% of the top 100 Russian companies and the Russian operation counts among the 25 largest banks in the country.

Business development

In the current economic environment, with annual growth slowing down to around 1.5%, the corporate investment activity is weak. For large corporates, bond financing has increased its share of the funding and the demand for lending has been relatively stable.

Industry expertise, a diverse product offering and competitive terms enabled Nordea Bank Russia to increase the number of corporate customers and develop its relations with targeted clients in key sectors. Investments are made to strengthen the offering of capital markets and cash management products.

The retail business is driven with a stricter focus, with respect to geography, products and customer segments.

Business selection is strict and the risk-weighted assets are somewhat down. At the same time there is focus on operating efficiency, and the number of FTEs was reduced by 5% in 2013.

Result

Total income increased 11% from last year to EUR 260m. Lower costs and loan loss reversals led to an operating profit increase to EUR 161m, up 34% from 2012.

Wholesale Banking other

Wholesale Banking other is the residual result not allocated to customer units. This includes the unallocated income from Capital Markets, Transaction Products, International Units and the IT divisions. It also includes additional liquidity premium for the funding cost of long-term lending and deposits in Wholesale Banking. Wholesale Banking other is not actively managed as the optimisation of the business takes place in the relevant customer and product units.

Result

The Wholesale Banking other operating profit decreased compared to 2012, primarily driven by lower customer activity and low capital markets volatility.

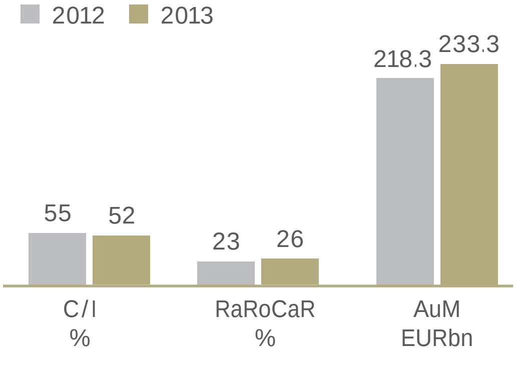
Business Area

Wealth Management

2013 performance and strategic direction

- AuM growth of 7% to EUR 233bn, net inflow EUR 7.0bn and positive net flow in all key segments. Solid income growth of 7% to EUR 1,528m, with a strong profit growth of 15% (25% adjusted for the changes in the Life & Pensions fee reservation account in 2012)
- Over half of Life & Pensions' assets and 85% of premiums 2013, are now in capital-light products
- Strengthened advisory concepts, products and services
- Increased measured Customer Satisfaction for investment advice, as well as higher share of wallet and boosted customer acquisition in retail savings
- Accelerated the referral of customers from Retail to Private Banking, while boosting external customer acquisition and raised measured Customer Satisfaction in Private Banking

Key figures



Nordea Wealth Management provides high quality and tailor-made investment, savings and risk management products, services and solutions.

We manage Nordea customers' assets, provide wealth planning and give investment advice to affluent and high-net-worth individuals as well as institutional investors. The business area consists of the business units Asset Management, Private Banking and Life & Pensions as well as the service unit Savings & Wealth Offerings. Nordea is the largest wealth manager in the Nordics with EUR 233bn in assets under management (AuM). Wealth Management has approximately 3,450 employees, of whom approximately 600 are employed outside the Nordic region, primarily in Europe.

Strategy

Nordea is the largest and fastest growing wealth manager in the Nordic region. It is our vision to become the leading Wealth Manager in each Nordic market, with Global reach and Global capabilities. To reach this position we must continuously ensure that our business model provides our customers with high-quality advice, a high standard of service and a broad and deep offering of high-quality products through a cost and capital-efficient value chain. Wealth Management has three strategic priorities, which were communicated and presented at Nordea's Capital Markets Day in 2013:

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

To enhance our value propositions, we are strengthening the online offering, providing better online access to advice, reporting and transaction services. We are investing in retirement planning and wealth planning capabilities, improving the tools supporting our advisers, investing in training of our

Gunn Wærsted is Head of Wealth Management.

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

When we conclude the year 2013, we can say with confidence that we are moving closer to our vision. It has been a year where we passed new heights and we have strengthened our robust and well diversified operating model even further. Our Assets under Management ended at EUR 233bn, up 7% from last year. We welcomed close to 11,000 new Private Banking customers, 85% of GWP in 2013 was in capital light products, an increase of 10 %-points, while also improving cost and capital efficiency. To sum up, we are clearly on track in executing on our strategy, communicated at Nordea's Capital Markets Day in 2013."

advisers and constantly refining our product offering.

To capitalise on growth momentum, we are expanding our distribution, both in the Nordic region and globally, globally in particular via the sales unit Global Fund Distribution. The number of retail customer meetings with holistic savings advice on the agenda has increased, we are accelerating the proactive acquisition of external Private Banking customers as well as continuing our effort to elevate existing customers from Retail Banking to Private Banking.

Our integrated value chain allows us to not only meet specific and diverse client needs in a cost-efficient manner, but to continuously improve our delivery model. We make adjustments based on customer feedback and best practice sharing, thereby raising not only the quality of our value propositions but also the efficiency.

Wealth Management key strategic initiatives

Enhance Value Propositions

- Enhance accessibility, advice and transactions through online and multichannel
- Roll-out enhanced wealth planning concepts and advisory skills
- Develop advisory concepts and tools
- Develop and launch new products and solutions

Capitalise Growth Momentum

- Leverage the strength of a diversified business model and broad distribution capabilities
- Elevate Retail Banking customers to Private Banking
- Accelerate external customer acquisition Private Banking
- Leverage the strong momentum in AM institutional sales

Efficiency & Prioritisation

- Improve operations, continue to extract benefits of an integrated wealth value chain
- Improve IT efficiency through offshoring and investments to reduce complexity
- Improve frontline efficiency, to increase the number of right clients per advisor
- Migrate to market return products in Life & Pensions

Private Banking

Nordea 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 113,000 Private Banking customers are provided with a holistic overview of their financial situation and with advice and solutions that meet their needs and preferences.

Customers are served from 80 branches in the Nordic countries as well as offices in Luxembourg, Switzerland, Spain and Singapore by a total of approximately 1,200 employees. The customer service is supported by a close collaboration with Retail Banking.

Nordea Private Banking is with EUR 77.3bn in AuM the largest Private Bank in the Nordic region and was in 2013 named the best Nordic Private Bank by Euromoney for the fifth consecutive year.

Benefits of choosing Private Banking Portfolio Management

Based on a strong savings trend and increased appetite for investments, demand for portfolio management solutions is increasing rapidly, in Nordea Private Banking.

In Finland, Nordea Private Banking is one of the largest players in this field due to its strong brand and product portfolio.

– The Portfolio Management solution is a discretionary service which means that a team of portfolio managers invests on behalf of the client, says Perttu Purhonen, Head of Private Banking in Finland Capital Area.

More and more customers want to free themselves from making time-consuming decisions. Also, the probability of a higher return increases when a professional portfolio manager is constantly seeking the best investment alternatives available.

– The portfolio managers make all the investment decisions based on the customer's chosen risk profile, Perttu Purhonen continues. Our experienced portfolio managers work within clearly defined risk and return targets. We use advanced risk management tools and the client only has to decide the asset allocation and risk profile of the portfolio. All portfolios have a benchmark and the aim is of course to beat that benchmark.

The minimum amount required for discretionary portfolio management is EUR 100,000. The client pays a management fee and in some cases also a brokerage fee. Nordea offers various combinations of allocation and risk profiles. Moderate and Balanced risk profiles are the most common choice of the clients today.

– The portfolio managers are constantly monitoring instruments in the portfolios. The combination of investment strategy and the ability to invest in e.g. funds from JP Morgan or Blackrock, enables us to pick the best instruments from any given market at any given time. Together with transparent pricing and transparent product content, we are able to provide our clients with the best possible investment service, says Perttu Purhonen.

In addition to the discretionary service, Nordea Private Banking also offers services for clients who want to make all investment decisions either themselves or together with a Private Banker. Many of Nordea's competitors only offer discretionary services.

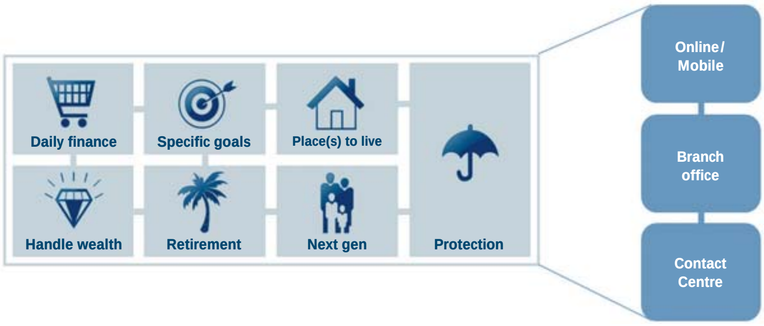
Today Nordea Private Banking Finland has EUR 3.6bn (2012 EUR 2.7bn) in assets under discretionary portfolio management. The business generated from this service equals almost one third of Nordea Private Banking Finland's business.

– This is a strong trend and we believe discretionary management will continue to grow and represent a major part of our Private Banking business in the future, Perttu Purhonen concludes.

Perttu Purhonen, Head of Private Banking, Finland Capital Area

Savings & Wealth Offerings

Savings & Wealth Offerings (S&WO) is a Nordic service unit in Wealth Management with close to 350 employees. S&WO's task is to define, package and communicate Nordea's product and service offerings to fulfil the customers' individual savings and investments needs. The primary deliveries are: concept and value proposition development, financial planning and asset allocation, market views and recommendations, product portfolio management, online savings solutions, brokerage and trading, sales support and education of advisors – all of this compliant with the regulatory frameworks. All savings and investment related activities are planned and executed as an integral part of the value chain in Retail Banking and Private Banking. A key element is to create cost synergies across customer segments and to increase efficiency in the customer meetings. Another strategic focus area is multi-channel relationship banking, including making Nordea's savings and investments value propositions available in the digital channels and enabling a channel transparent experience for the customer.



A holistic customer approach is key to sound financial advice

– We are seeing a trend of customers having higher interest than before in making financial plans and gaining control of their financial situation, Niklas Anckarman, Head of Financial Planning says.

This trend is supported by demographic changes, a gradual shift in responsibility from the government and the employer to the individual and increased financial awareness among customers. As the largest financial service provider in the Nordics, Nordea has the ability to mobilise the right competencies and efficiently invest in leading advisory support concepts, processes and tools.

– We use the same, modularised, IT tool in all Nordic markets for providing advice related to investments, pensions and personal risk. The advisory services and the IT tool are constantly being further enhanced with a focus on making the financial planning offering available through, and integrated between, all customer channels and touch points, from the branches to the internet bank and mobile units, Niklas Anckarman continues.

The work in the financial planning unit of Savings & Wealth Offerings consists to a large extent of, creating and logically packaging concepts, processes, tools, routines and instructions to advisers and customers.

– We look at the customer's needs. In Financial Planning there is no such thing as "one size fits all". Every customer situation, needs, wishes and dreams are unique. Our advisory offering, in most cases delivered through our competent advisers, is able to customise plans and recommendations to the individual customer and – at the same time – utilise economies of scale when developing core system support for customers and advisers, Niklas Anckarman says.

From a product perspective, a financial plan could include products and services from Asset Management, Life & Pensions, Markets and Deposits & Loans. Today, the majority of transactions in savings and investment products for Private Banking and Retail Banking household customers are generated through Financial Planning/Advice sessions. On a yearly basis, around 800,000 financial plans with varying scope are provided to Retail Banking customers. In addition, around 100,000 Private Banking customers receive a yearly and advanced, in-depth, walkthrough and regular follow-up of their financial plans.

– Financial Planning is about honesty and long-term relationships. We even make it clear to our customers that we will not advise them until we know them. Through Nordea's well developed relationship strategy, well trained advisers and modern financial planning platform, we can promise to be there for our customers today and in the future, Niklas Anckarman concludes.

Niklas Anckarman, Head of Financial Planning in Savings & Wealth Offerings

Life & Pensions

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 operates in the Nordic countries, Poland, the Baltic countries and the Isle of Man. In the Danish, Norwegian and Polish markets, sales are conducted through Life & Pensions' own sales force as well as through tied agents and insurance brokers. Life & Pensions employs approximately 1,150 people.

Life & Pensions' business leverages on a strong bancassurance distribution model, Life & Pensions' cost-efficient administration as well as Nordea Asset Management's expertise. Nordea Life & Pensions is the largest life insurer in the Nordic market with a combined market share of 13.4% based on gross written premiums and EUR 53bn in AuM. On the capital-light market return segment of the market, which is more profitable, Nordea´s estimated market share is 21%.

Making pensions schemes a part of corporate customers' core values and culture

Nordea Life & Pensions in Denmark works with both individual and corporate customers. As the market of pensions matures the behaviour of the customers changes. Historically, corporates have tended to shift their schemes every 7th year. This is now starting to change into shorter periods. Therefore it is important to be innovative in comparison with competitors and to build long-term and deep relationships with customers.

Steen Michael Erichsen, Head of Life & Pensions Denmark

Nordea benefits from a unique product platform and a strong market share. This is the driver for cooperation and long-term customer relations.

– It is about creating and maintaining customer satisfaction in new ways. The customer needs solutions that address a wider need than just the pension, Steen Michael Erichsen, Head of Nordea Life & Pensions Denmark tells

Creating pension meetings worth sharing is part of Nordea Life & Pension's strategic ambition. For the corporate customer it is important to be an attractive workplace. Here, the ability to provide an attractive and innovative pension plan plays a role that in the long run increases the employer brand. In this area, Nordea Life and Pensions Denmark has introduced a unique concept (Co-created communication) integrating the pension solution with the customer's corporate values, culture and internal communication. The idea is to use the customer's own language, products and expressions. One example is the liver pate producer Stryhns.

– We know from our corporate customers that the financial sector in general has had difficulties in engaging corporate customers' employees in pension-related communication, Steen Michael Erichsen continues. We wanted to add value to the pension scheme by introducing a totally new way of communicating the scheme. To ensure involvement in and dialogue about the pension scheme – we make pension relevant, interesting, understandable and even tangible. We ended up with a customer integrated solution in which we integrated the pension universe with the client's own values and core product – their renowned liver pate.

Co-created communication solution for Stryhns

"Taste your pension" The communication of the new pension scheme was built around Stryhns' core product – the renowned liver pate.

Goals

- To create more energy at the company based on Nordea Life & Pensions' concept Healthy Business.
- To integrate the pension solution into Stryhns' corporate values and culture, making pension relevant here and now.
- To create involvement and dialogue and to create meetings worth sharing.
- Integration with the company's daily business i.e. the product.

Solution

- Attention on the new solution to get employees to take part in the first inspirational meeting.
- Inspirational meeting to motivate every employee to book an individual meeting with the adviser from Nordea Life & Pensions
- Involvement – creating individual pension solutions at the meeting with the adviser

Then, the individual advisory meeting took its starting point from the pension's "product declaration" and the adjustment of ingredients to match the life situation of the employee.

Results

- 75% of employees took part in the inspirational meeting
- 97% of the employees booked an individual meeting with the adviser
- The meetings resulted in a deep relationship with Stryhns' employees
- Increased confidence in Nordea resulting in new bank customers among Stryhns' employees
- The pension scheme reached a higher relevancy among the employees

Asset Management

Nordea Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds. The internally managed products are handled by independent investment boutiques covering equity, fixed income, credits and multi-asset products. In addition, Nordea Asset Management has a search and selection team responsible for selecting products from external managers complementing the product range.

The products of Nordea Asset Management are distributed to Nordea's retail and private banking customers, 3rd party distributors and to corporate and institutional clients. Nordea Asset Management is responsible for sales to institutional clients and the wholesale of funds via 3rd party distributors and is licenced for wholesale fund distribution across 20 countries worldwide.

The AuM in Nordea Asset Management was EUR 147bn at year end. Nordea Asset Management employs approximately 565 people primarily located in the Nordics and Luxembourg and with sales offices spread throughout Europe, in the US, Brazil and Singapore.

A strong platform for global growth

Nordea Asset Management distributes its investment solutions through three distribution channels: Nordea Retail and Private Banking, Institutional Clients and Wholesale Distribution. Global Fund Distribution (GFD) is Nordea's wholesale fund distribution unit. It offers Nordea mutual funds to end-investors via financial intermediaries ranging from large global wealth managers to IFA networks, as well as family offices, fund of fund managers, insurance companies and private banks. Today Nordea has around 400 active distribution agreements with distributors.

– We are active in more than 25 countries outside of the Nordic markets. To service these markets, we have local offices across Europe, including Luxembourg, Germany, Austria, Switzerland, France, Italy and the UK, as well as hubs in Latin America (São Paulo) and Asia (Singapore). We also have commercial activities in other European markets such as Spain, Portugal, the Netherlands, Belgium and Poland, explains Head of GFD Christophe Girondel.

The most important aspect according to him is to create stability in the minds of the partners by having a strong product offering that can address investment needs in all market conditions.

– We have developed a stable platform using the Nordea multi-boutique approach. In addition, we have a very solid and efficient distribution model. Luxembourg offers a robust platform for all our product collateral and client services, which allows our local offices to focus on marketing our solutions and more importantly to listen and understand our clients' needs. We strive to respect and adapt to the local cultures of our many distributors. Distribution is all about people, Christophe Girondel continues.

One of the main benefits of the Nordea multi-boutique model, from an end-client perspective, is that it facilitates a broader choice of solutions to match investors' risk / return appetites. In itself, this is no longer enough to guarantee commercial success. The large range of competing solutions available in today's market, combined with increasing product complexity, means that providing a quality service is of paramount importance.

Having a wide choice of products is definitely an advantage; however it is as much about being able to deliver first class support to our partners throughout the distribution chain. This can range from producing timely and accurate documents on a regular basis, to being particularly reactive and flexible to ad-hoc client needs.

– Partnering with large global wealth managers forces our investment professionals to continuously deliver superior returns and stay abreast with market development; but just as importantly in our service too. We need to deliver excellence in everything we do. It's all about providing better service and better products, Christophe Girondel says.

After very successful recent years, 2013 is the fifth year of consecutive positive net flows for GFD.

– Our assets under management have grown at a CAGR of almost 40% over the last three years and we contribute around 33% of net inflows of our overall Asset Management activities. Going forward, we aim at penetrating the European market further. We also have a strong focus on deepening our relationship with some of our key global distributors, Christophe Girondel says.

Success is about permanent enhancement and innovation of our product offering in order to remain competitive. When it comes to distribution, it is about remaining very focused on key development markets, while exploiting strategic opportunities when they arise. For example, Nordea has developed a partnership with ICICI, one of the largest banks and asset managers in India. The ICICI asset management unit proposes an in-house branded solution to its domestic Indian client base, which feeds assets into one of the Nordea 1 SICAV sub-funds. It is about seeding future long-term growth.

– We are often the first business unit of Nordea to establish a presence in new markets. We are therefore introducing our bank and its strengths to the financial community and developing business relationships that contribute to Nordea's brand position; many retail and private banking clients in Europe have today a Nordea fund in their portfolios. It is an opportunity for our Group to further develop its presence or attract new potential shareholders, Christophe Girondel concludes.

Christophe Girondel,
Head of Global Fund Distribution

Business development

Asset Management

Assets under Management (AuM) in Nordea Asset Management increased by EUR 9.6bn, to EUR 147.4bn, corresponding to an increase of 7% since the end of 2012. The increase is explained by a positive investment return of EUR 4.8bn and a net inflow of EUR 4.8bn.

2013 was characterised by underlying positive market sentiment, although with periods of market volatility. Customers have especially preferred balanced products, but have also increased their exposure to equity and credit, while withdrawing assets from fixed income. The shifts in asset allocation towards equity and balanced funds have increased the average margin in Asset Management.

Like last year, Nordea performed well in terms of investment performance, evidenced by the fact that 67% of the investment composites performance was above their benchmarks in 2013. All fixed income and balanced products delivered a value-adding performance, while valued added in the equity products was mixed with some equity composites delivering a good performance in the year and others failing to meet their benchmarks. On a long-term horizon (36 months), Nordea's relative investment performance remains strong, with 70% of the investment composites outperforming their benchmarks.

The sale of retail funds to Nordic household and private banking customers was strong across the board in 2013 with a net inflow of EUR 3.5bn. Product-wise, customers have in particular preferred equity and balanced products while there was an outflow in fixed income products.

Institutional sales, comprising Institutional Asset Management and Global Fund Distribution reported a positive net flow of EUR 0.6bn. Institutional Asset Management had negative net flows of EUR 1.6bn derived primarily from clients in the Nordic countries with the exception of Sweden, and mainly related to a few large single client outflows. International and German clients had positive net flows. The value of flow is however in positive territory driven by strong numbers from Sweden and Germany. On average, margins on the outflows were lower than margins on the inflows.

Global Fund Distribution reported a strong net inflow of EUR 2.2bn for 2013. Investors have in 2013 left Nordic fixed income and US high yield to privilege multi asset solutions, European high yield and developed market equities, in particular US but also notably Europe have attracted significant assets. Overall this has led to a change in the asset mix and an increased average margin. The inflow has come from all European countries with a noticeably strong positive development in Italy, Germany and the UK. Global Fund Distribution has expanded the distribution network during the year and established an office in Singapore.

In 2013, several key products were launched including the first two actively managed funds listed on the stock exchanges in Helsinki and Stockholm, a couple of total return equity funds, a Nordic Corporate Bond Fund and a new product offering for Private Banking clients. We have continued with our efforts to update and simplify our product offering, resulting in some investment processes reengineering, a few funds being closed and several fund mergers both on a national and a cross-border level. Finally, the preparation for the upcoming Alternative Investment Fund Management Directive has been in focus.

Private Banking

With strong developments in financial markets and the low interest rate environment, Private Banking customers' appetite for investments increased compared to the previous year, with the majority of the inflow seen in higher income yielding products. Further, the discretionary product offering attracted new money, increasing its penetration to 14% of AuM. Wealth Planning is another area that continues to grow in importance due to greater regulatory complexity and increasingly sophisticated customer needs.

On this background, the AuM increased with EUR 7.8bn to EUR 77.3bn, up 11% compared to the previous year. The increase was driven by a net flow of EUR 2.3bn and asset appreciation of EUR 5.5bn.

During the spring, an important milestone was reached when the number of Nordic Private Banking customers passed 100,000. Approx. 11,000 new customers were acquired during the year, a significant increase compared to last year, driven both by higher elevation of customers from Retail Banking and by more new externally acquired customers. Over the past ten years, the number of Nordea Private Banking customers has doubled and the growth has been accompanied by a positive trend in customer satisfaction. Customer satisfaction increased in 2013 as well. As a step towards further improving customer experiences, Private Banking has during 2013 taken a focused approach to further improve the quality of customer meetings, acquiring feedback of individual meetings and establishing structured internal processes for discussing the advisory craft and sharing of best practices.

Another key initiative to support Private Banking's future growth was the opening of a branch in Singapore. The Singapore branch, which is already attracting great interest from its target group – Nordic individuals residing in Asia – serves as the platform for Private Banking to service customers across the region. In addition, Private Banking is in the process of forming a client acquisition team in London.

Life & Pensions

Nordea Life & Pensions is well adapted to meet the ongoing and upcoming regulatory changes. As the strategic direction with an emphasis on capital-light products was defined already prior to 2013, Nordea Life & Pensions has during the year been able to leverage on an established product-based platform with a particular weight on market return products. This has enabled the organisation to further accelerate a change in the business mix towards a larger degree of market return products.

Additionally, Nordea Life & Pensions continued to reduce organisational complexity by divesting the Polish Life company and the portfolio in Luxembourg and closing down the Lithuanian branch.

These achievements are reflected in the financial figures, as Nordea increased the share of market return and risk products of total gross written premiums by 10 %-points to 85%. At the end of 2013, 50% of total AuM was in market return products. This, combined with 63% of the gross written premiums being distributed through the cost-efficient bank channel, clearly underlines the long-term profitability of the Nordea Life & Pensions business. The execution of the strategy is also well reflected in the net flows in Life & Pensions' products, as traditional products experienced net outflow of EUR 2.4bn and conversely the net inflow to market return products was EUR 3.5bn.

Regulatory and capital issues have remained high on the agenda, continuously drawing management resources. Nordea Life & Pensions has continued to develop the customer value proposition and streamline internal processes. In 2013, the Swedish product offering has been complemented with a portfolio bond insurance product, drawing approx. EUR 400m in sales in the fourth quarter of 2013. Additionally, support for advisory on risk insurance has during the year been implemented in Nordea´s financial advisory tool, providing a cost-efficient platform for increased sales of profitable risk products across the whole Nordea branch network.

The strong growth in market return products, due to a combination of solid sales and high investment return in the customer portfolios, was the driver behind the AuM increase by 5% to the all-time high level of EUR 53bn. The strengthening of the financial buffers continued, ending at 12.8% of technical provisions, further reducing the financial risk borne by the owner.

Life & Pensions' operating profit for the year ended at EUR 272m, which is slightly lower than in the previous year. The decrease was entirely driven by the recognition of fee income in 2012 relating to previous years, attributable to part of the traditional portfolio. The underlying profit from market return and risk products, excluding the write-down of deferred acquisition costs in the Polish operation, continued to develop strongly and increased by EUR 36m.

On the basis of the shift in the product portfolio towards capital-light products, successful management of the traditional insurance backbook and strong profit generation during the year, the Nordea Life Group was able to distribute EUR 300m in dividends to the parent company in 2013. Despite the payout of dividends, Nordea Life & Pensions experienced an increasing solvency ratio in 2013. The Market Consistent Embedded Value (MCEV) increased by EUR 854m in 2013 to EUR 4.7bn, primarily due to increased interest rate levels.

Savings & Wealth Offerings

Good returns were delivered to customers – even further for those who fully followed Nordea's advice. Nordea's recommended portfolios yielded 10.2-17.5% in 2013 depending on the country. Overall, the savings flow grew by 11% in 2013 compared to 2012. Net sales of investment products grew by close to 50% from EUR 4.6bn to EUR 6.8bn. Balanced funds in particular and unit-linked were in high demand. Two driving factors stand out from a geographic perspective; the continued success with the tax wrapper solution ISK in Sweden and investment product sales in Finland. Since the launch, over 185,000 ISK accounts have been opened in Nordea, of which over 93,000 in 2013. In Finland, Investment Product net sales almost doubled compared to 2012 from EUR 1.4bn to EUR 2.6bn, mainly driven by balanced funds and unit-linked. In terms of profitability, the trend from 2012 continued in 2013 with increasing investment product income (+13%) and downwards pressure on the deposit margins due to the low interest rates.

Result

Total income for 2013 was EUR 1,528m, up 8% from the strong result in 2012. Both net interest income and net result from items at fair value were impacted negatively by lower interest rates and due to extraordinary fee recognition in the Life & Pensions business in last year. The net fee and commission income increased significantly, driven by strong momentum in all business units. Operating profit increased 15% compared to last year and was EUR 735m. Adjusted for changes in the Life & Pension fee reservation account, operating profit increased by 25%.

Financial Review 2013

- Operating profit increased 2%[1]
- Total operating income decreased 1%[1]
- Total operating expenses unchanged[1]
- Net loan losses 21 basis points (26 basis points)[1]
- Return on equity (ROE) 11.0% (last year 11.6%)[1]
- Risk-adjusted profit increased 1%[1]
- Core tier 1 capital ratio 14.9%, excluding transition rules (last year 13.1%)
- Overall credit quality remained solid
- 90,000 relationship customers were new to Nordea
- Assets under Management up 7% to EUR 233bn
- Proposed dividend EUR 0.43 per share (actual dividend last year EUR 0.34 per share)

1) Compared with 2012 for continued operations

Legal structure

Nordea aims at continuous simplification of its legal structure and as regards the Nordic banks the aim is that Nordea Bank AB (publ) will be converted into a European company. Among other things, a conversion is conditional on Nordea obtaining necessary approvals from the relevant authorities.

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

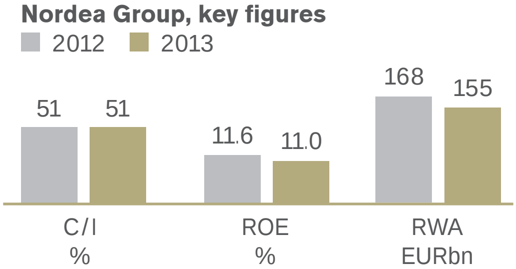
Macroeconomic development

2013 was another year of low growth and interest rates declined to record low levels. The environment in which Nordea operates was characterised by some improvements in global economic data and a positive development in financial markets. However, in the Nordic economies, the latest macroeconomic developments have been weaker, although the overall picture still appears relatively robust.

The improving global macroeconomic trend has continued throughout the year although the development in the Nordic economies was weaker. The US and UK economies showed strong signs with US GDP growth rising to 4.1% and unemployment in the US falling to 7%. In Europe, the improvements were more modest with GDP growth reported at 0.1%.

The Nordic economies show lower growth, although the overall picture still appears relatively robust. In Sweden, GDP growth has disappointed slightly, but the broader picture for 2013 remained solid with full year growth close to 1%. The growth in Denmark has been reported in-line with expectations at around 0.4% while the broader picture still supports a gradual improvement in Denmark. Norway is expected to see a GDP growth of 1.8%. In Finland, growth fell short of expectations at 0% and instead followed the more mixed picture seen in the Euroland with an estimate of –0.4% for 2013. Unemployment has been largely unchanged in the region. A positive development has been the stabilisation of housing prices in Denmark, while the other Nordic housing markets remain solid.

Nordea Group, key figures



Result summary for 2013

Total income decreased by 1% in 2013 compared to 2012 and total expenses were largely unchanged, in accordance with the flat cost target. Net loan losses decreased from last year to a level of 21 basis points of loans. Operating profit was up 2%. Risk-adjusted profit increased by 1% compared to the preceding year.

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

Income

Net interest income decreased 1% compared to 2012. Lending volumes decreased 1% (after transfer to assets held for sale), with household mortgage lending increasing, and corporate lending spreads were higher, while deposit spreads decreased from 2012. Net interest margin, the average net interest income on lending and deposits, was 1.07%, largely unchanged from last year (1.06%).

Net fee and commission income increased 7% due to strong commission income from savings and investments as well as higher payments and lending commissions.

Net result from items at fair value decreased by 13% compared to last year, following weaker activity and lower volatility.

Income under the equity method was EUR 79m (EUR 93m) and other income was EUR 106m (EUR 100m).

Expenses

Total expenses were down somewhat compared to last year and staff costs were also down somewhat. Total expenses were largely unchanged compared to 2012 in local currencies when excluding performance-related salaries and profit-sharing, i.e. with the cost definition for the cost target in the plan. Staff costs were also largely unchanged in local currencies when excluding performance-related salaries and profit-sharing.

Net loan losses

Net loan loss provisions decreased 18% to EUR 735m, corresponding to a loan loss ratio of 21 basis points (26 basis points last year). As expected, provisions for future loan losses in Denmark and shipping remained at elevated levels. In other areas, the losses were low. The loan loss ratio was somewhat below the credit risk appetite.

Taxes

The effective tax rate in 2013 was 23.3% (excluding the new bank tax in Finland of EUR 51m), compared to 24.0% last year. The 2013 effective tax rate was affected by reduction in income tax expenses due to a one-off effect of recalculation of deferred taxes, following the lowering of the tax rates in Denmark, Finland and Norway. The effective tax rate 2012 was positively affected by the lowering of the tax rate in Sweden (EUR 73m).

Net profit and Return on equity (ROE)
Net profit increased 1% to EUR 3,107m, due to stable income and expenses and lower net loan losses compared to last year.
Return on equity (ROE) was 11.0% (last year 11.6%).

Risk-adjusted profit
Risk-adjusted profit increased 1% compared to last year to EUR 3,351m.

Market Consistent Embedded Value (MCEV)
The MCEV increased 25% to EUR 4,700m due to higher asset values, strengthening of the financial buffers and continuous inflow of profitable new sales. The value of new business was EUR 255m.

Financial structure
Total assets decreased by 6% or EUR 38bn to EUR 630bn in 2013. Total liabilities decreased by 6% or EUR 39bn to EUR 601bn. 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 both the Swedish and Norwegian krona and was largely unchanged against the Danish krona in 2013. The effect of changes in currency exchange rates amounted to a total decrease in the Group's assets of EUR 17bn. Liabilities decreased by EUR 16bn.
Assets and liabilities held for sale (Polish operations) have been transferred to the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" on the balance sheet as of 31 December 2013, but not as of 31 December 2012.

Loans
The total lending was largely unchanged compared with previous year excluding assets held for sale, but the impact on total assets including assets held for sale was positive by EUR 6bn or 2%.

Securities
Investments in interest-bearing securities and shares increased by EUR 6bn (5%) compared with previous year, EUR 7bn (6%) including also assets held for sale.

Deposits and funding activities
Deposits and borrowings increased by EUR 4bn or 1% to EUR 260bn (increased to EUR 263 bn, or 3% including liabilities held for sale), while debt securities in issue increased by EUR 2bn or 1% . Total debt securities in issue as per the end of 2013 amounted to EUR 186bn. In 2013, long-term issuance under Nordea funding programmes amounted to EUR 23bn, excluding Danish covered bonds (EUR 29bn).

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 2bn or 4%.

Derivatives
The balance sheet items "Derivatives" reflect the net present value of derivative contracts split on positive and negative fair values. Both positive and negative fair values decreased by EUR 48bn, mainly due to that a larger portion of the derivatives were subject to central counterparty clearing, but also due to an active compression of the derivatives portfolio. The derivatives volume, in nominal terms, were largely unchanged. For more information, see Notes G1 and G17.

Financial target
Nordea has a medium-term return on equity (ROE) ambition of 13% at a core tier 1 capital ratio of above 13%, taking the prevailing low interest rates into account.

Capital position and capital policy
The Group's core tier 1 capital ratio, excluding transition rules, increased to 14.9% at the end of 2013, a strengthening of 1.8%-points from the end of last year. The total capital ratio excluding transition rules increased 1.9%-points to 18.1%. Improved capital ratios were achieved by strong profit generation and a decrease in risk-weighted assets (RWA).
Nordea has a capital policy, which states that, no later than 1 January 2015, the target for the core tier 1 capital ratio is to be above 13% and for the total capital ratio to be above 17%. Nordea is currently steering the bank towards a core tier capital ratio of 14.0-14.5%. Nordea's dividend ambition is to increase the dividend payout ratio in 2014 and 2015, while maintaining a strong capital base. The long-term target is to be decided once the regulatory regime is clarified.
The capital policy is based on management's current best view on capitalisation although there is still uncertainty regarding the final outcome of the CRD IV/CRR. The targets are considered minimum targets under normal business conditions, as the regulatory framework is dynamic through the cycle.
A description of the Capital position is presented under Capital management on page 63 and in Note G40.

Credit portfolio
Total loans to the public, lending, decreased to EUR 342bn, down 1% from one year ago (increased EUR 2 bn including assets held for sale). The share of lending to corporate customers was 53%. Lending to the shipping industry constituted 2.7% of the Group's total lending and lending to companies owned by private equity funds was less than 3% of total lending, of which 99% are senior loans.
Migration was stable in 2013, in both the retail and corporate portfolios. The total effect of improved credit qual-

ity on RWA was a decrease of approx. 0.7% in 2013.

Impaired loans gross in the Group decreased by 3% to EUR 6,704m (including assets held for sale) at the end of the year compared to last year. 58% of impaired loans gross are performing loans and 42% are non-performing loans. This development was expected, since at this point of the business cycle,
it has been easier to identify specific customers, for which there is a need for a loan loss provision.

Further information about the credit portfolio is presented under Risk management on page 55, in Note G49 and in the Capital and Risk Management Report 2013 published on the web pages.

Agreement to divest the Polish banking, life and financing businesses to PKO Bank Polski

On 12 June 2013, Nordea signed an agreement 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 Ubezpieczen na Zycie S.A., to PKO Bank Polski for EUR 694m.

The transaction is expected to lead to a minor capital gain and profit and loss effect. In addition, due to the release of risk-weighted assets, it has a positive impact on the Nordea Group's core tier 1 ratio of approx. 50 basis points, of which approximately half is expected to be realised in 2014 on closing of the transaction. The remaining part of the benefit to core tier 1 capital will be realised as a transitional risk-sharing and funding support that Nordea will provide ends. This transitional risk-sharing and funding will impact the Group's profit and loss statement insignificantly.

The transaction is expected to be completed in the first half of 2014 and is subject to regulatory approvals. PKO Bank Polski has launched a public tender offer for the shares in Nordea Bank Polska S.A. in compliance with local stock exchange regulations.

As a result of the transaction, the Polish operations are reported as discontinued operations from the second quarter report 2013 until the closing of the transaction.

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

Nordea's funding operations

Nordea issued approx. EUR 23bn of long-term debt during the year, excluding Danish covered bonds.

Liquidity management is presented on page 61. A maturity analysis is presented in Note G47.

Market risk

A description of Market risk is presented on pages 59–60.

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 82 and a table showing the change in share capital is found on page 15. The voting rights are described on page 67. 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 qualifying holding (represents 10% or more of the equity capital or of the voting capital) or an increase of qualified holdings, may only take place following consent by the Swedish Financial Supervisory Authority according to the Swedish Banking and Financing Business Act.

On 31 December 2013 Sampo plc was the largest individual shareholder with a holding of 21.4% and the only shareholder with a holding of more than 10%. A table showing the largest registered shareholders in Nordea, end of 2013 is found on page 14.

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

Holding of own shares

As of 31 December 2013, Nordea held 31,787,932 shares (0.8% of total number of shares) in Nordea, an increase of 4,887,487 shares compared to 31 December 2012. The quota value is EUR 1 and the acquisition price amounts to EUR 124m. These shares are partly held for trading purposes and partly as hedges of conditional rights in the Long Term Incentive Programmes.

Dividend

The Board of Directors and CEO propose to the AGM a dividend of EUR 0.43 per share (EUR 0.34), corresponding to a payout ratio of 56% of net profit. Total proposed dividend amounts to EUR 1,734m.

The ex-dividend date for the Nordea share is 21 March 2014. The proposed record date for the dividend is 25 March, and dividend payments will be made on 1 April.

Mandate to repurchase and convey own shares

In order to be able to adjust the company's capital structure to the capital requirement existing at any time and to use own shares as payment in connection with acquisitions or in order to finance such acquisitions, the Board of Directors proposes to the AGM 2014 an authorisation to decide on repurchase of own shares on a regulated market where the company's shares are listed, or by means of an acquisition offer directed to all shareholders. The authorisation is limited so that Nordea's holdings of own shares is a maximum of 10% of all shares. The Board of Directors further proposes an authorisation to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses. Conveyance may be made in another way than on a regulated market and with deviation from shareholders' pre-emptive rights.

In 2013, an authorisation to repurchase ordinary shares has been in place. Furthermore, an authorisation to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses has been in place.

Mandate to issue convertible instruments

The Board of Directors proposes that the AGM 2014 should authorise the Board of Directors to decide on issuing of convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by 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 done on market conditions. The purpose of the authorisation is to facilitate a flexible and cost-effective adjustment of the Company's capital structure to meet new capital requirements rules and attaching to new capital instruments.

In 2013, a corresponding authorisation to decide to issue convertible instruments has been in place.

Rating

Ratings of the Nordea Group are presented on page 215.

Personnel

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

Profit sharing and share-based incentive systems

In 2013, a total of approx. EUR 61m was expensed under Nordea's ordinary profit-sharing scheme for all employees and the Long-Term Incentive Programmes for managers and key employees (EUR 75m last year).

For 2013, each employee could receive a maximum of EUR 3,200, of which EUR 2,600 was based on Return On Equity and an additional EUR 600 based on the level of customer satisfaction.

The Profit Sharing scheme and the share-based incentive systems as well as other remuneration principles are presented in the chapter Remuneration on page 73-76 and in Note G7.

Pension liabilities

The total pension obligation in defined benefit plans has decreased from EUR 3,452m to EUR 3,130m in 2013. The decrease is mainly due to measurements from changes in financial assumptions and translation differences. Pensions paid have had a decreasing effect offset by new pension rights earned and discounting effects. The fair value of plan assets is EUR 3,117m, fairly unchanged from 2012 (EUR 3,125m). Return on plan assets and paid contributions have had an increasing effect, offset by pension payments and translation differences. The net pension liability amounts to EUR 13m. See Note G33 for more information.

Legal proceedings

Within the framework of the normal business operations, the Group faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of 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 G37.

Environmental concerns and corporate social responsibility

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

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

Further information is presented under Corporate Social Responsibility on page 18 and in Nordea´s CSR Report available on the web pages.

Foreign branches

The parent company has foreign branches in Norway, Finland, Denmark, Poland and China. The plan for 2014 is to transfer the branches in the Baltic countries, the United Kingdom and Germany from Nordea Bank Finland to the parent company.

Annual General Meeting 2014

The AGM will be held on Thursday 20 March 2014 in Stockholm. Further information is presented on the last page of the Annual Report.

Business area results

Retail Banking, operating profit by market

	Total		Banking Denmark		Banking Finland		Banking Norway		Banking Sweden		Banking Baltic countries		Retail Banking other	
EURm	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	3,813	3,814	1,240	1,256	659	600	820	734	1,053	1,097	132	122	–91	5
Net fee and commission income	1,070	1,126	167	209	354	326	162	186	361	375	44	43	–18	–13
Net result on items at fair value	326	291	74	39	84	77	75	77	101	112	–4	–2	–4	–12
Equity method	26	21	26	21	0	0	0	0	0	0	0	0	0	0
Other operating income	73	82	7	5	14	20	6	3	13	6	0	1	33	47
Total operating income	**5,308**	**5,334**	**1,514**	**1,530**	**1,111**	**1,023**	**1,063**	**1,000**	**1,528**	**1,590**	**172**	**164**	**–80**	**27**
Staff costs	–1,365	–1,380	–301	–311	–228	–223	–157	–159	–290	–289	–25	–25	–364	–373
Other expenses and depr.	–1,603	–1,640	–511	–512	–422	–424	–314	–338	–600	–595	–60	–60	304	289
Total operating expenses	**–2,968**	**–3,020**	**–812**	**–823**	**–650**	**–647**	**–471**	**–497**	**–890**	**–884**	**–85**	**–85**	**–60**	**–84**
Profit before loan losses	**2,340**	**2,314**	**702**	**707**	**461**	**376**	**592**	**503**	**638**	**706**	**87**	**79**	**–140**	**–57**
Net loan losses	–478	–593	–310	–442	–57	–46	–22	–43	–53	–38	–23	–3	–13	–21
Operating profit	**1,862**	**1,721**	**392**	**265**	**404**	**330**	**570**	**460**	**585**	**668**	**64**	**76**	**–153**	**–78**
Cost/income ratio, %	56	57	54	54	59	63	44	50	58	56	49	52		
RAROCAR, %	14	13	14	14	16	12	16	11	16	19	7	4		
Other information, EURbn														
Lending to corporates	82.1	85.8	21.9	21.9	14.7	14.3	19.1	21.3	20.8	22.7	5.7	5.7		
Household mortgage lending	124.0	123.9	30.9	30.4	26.9	26.3	24.4	27.3	39.2	37.2	2.8	2.9		
Consumer lending	24.4	25.3	11.9	12.3	6.3	6.2	0.7	0.7	5.2	5.9				
Corporate deposits	45.1	45.5	9.1	7.8	9.7	10.4	10.4	11.9	13.2	13.1	2.8	2.4		
Household deposits	74.7	75.7	23.2	22.9	21.6	22.5	7.9	8.5	21.0	20.9	0.9	0.8		

Wholesale Banking, operating profit by unit

	Total		Corporate & Institutional Banking (CIB)		Shipping, Offshore & Oil Services		Banking Russia		Wholesale Banking other (including Capital Markets unallocated)	
EURm	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	1,120	1,166	701	693	267	290	234	206	–82	–23
Net fee and commission income	568	540	567	555	55	64	14	17	–68	–96
Net result on items at fair value	917	1,065	351	402	32	27	12	9	522	627
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	1	11	0	0	0	0	0	2	1	9
Total operating income	**2,606**	**2,782**	**1,619**	**1,650**	**354**	**381**	**260**	**234**	**373**	**517**
Staff costs	–788	–789	–41	–39	–24	–25	–68	–69	–655	–656
Other expenses and depr.	–111	–143	–444	–448	–40	–43	–31	–34	438	421
Total operating expenses	**–899**	**–932**	**–485**	**–487**	**–64**	**–67**	**–106**	**–108**	**–244**	**–270**
Profit before loan losses	**1,707**	**1,850**	**1,134**	**1,163**	**290**	**314**	**154**	**126**	**129**	**247**
Net loan losses	–252	–314	–165	–68	–95	–240	7	–6	1	0
Operating profit	**1,455**	**1,536**	**969**	**1,095**	**195**	**74**	**161**	**120**	**130**	**247**
Cost/income ratio, %	34	34	30	30	18	18	41	46		
RAROCAR, %	15	15	15	15	16	16	25	18		
Other information, EURbn										
Lending to corporates	96.9	88.8	39.5	42.9	11.4	13.0	5.8	6.2	40.2	26.7
Lending to households	0.5	0.4					0.5	0.4		
Corporate deposits	66.7	62.6	33.8	39.8	4.3	4.8	1.7	2.2	26.9	16.9
Household deposits	0.2	0.2					0.2	0.2		

Wealth Management, operating profit by unit

EURm	Total		Asset Management		Private Banking		Life & Pensions		Wealth Management other	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	131	135	0	1	130	129	0	0	1	5
Net fee and commission income	1,022	841	501	419	278	228	247	201	–4	–7
Net result on items at fair value	345	414	–1	4	133	132	212	279	1	–1
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	30	29	10	6	2	10	17	13	1	0
Total operating income	**1,528**	**1,419**	**510**	**430**	**543**	**499**	**476**	**493**	**–1**	**–3**
Staff costs	–482	–465	–114	–117	–170	–163	–124	–117	–74	–68
Other expenses and depr.	–308	–314	–109	–99	–182	–178	–80	–96	63	59
Total operating expenses	**–790**	**–779**	**–223**	**–216**	**–352**	**–341**	**–204**	**–213**	**–11**	**–9**
Profit before loan losses	**738**	**640**	**287**	**214**	**191**	**158**	**272**	**280**	**–12**	**–12**
Net loan losses	–3	–2	0	0	–3	–2	0	0	0	0
Operating profit	**735**	**638**	**287**	**214**	**188**	**156**	**272**	**280**	**–12**	**–12**
Cost/income ratio, %	52	55	44	50	65	68	43	43		
RAROCAR, %	26	23			38	27	13	14		
Other information, EURbn										
Lending to households	9.2	9.0			9.2	9.0				
Deposits from the public	11.3	10.5			11.3	10.5				

Group Corporate Centre, operating profit

EURm	2013	2012
Net interest income	338	412
Net fee and commission income	–10	–13
Net result on items at fair value	70	87
Equity method	0	–1
Other operating income	6	93
Total operating income	**404**	**578**
Total operating expenses	**–267**	**–304**
Operating profit	**137**	**274**

Life & Pensions, profit drivers

EURm	2013	2012
Profit drivers		
Profit Traditional products	78	119
Profit Market Return products	133	115
Profit Risk products	64	57
Total product result	**275**	**291**
Return on shareholders' equity, other profits and group adjustments	**–3**	**–11**
Operating profit	**272**	**280**

MCEV composition of Nordea Life & Pensions

EURm	2013	2012
Denmark	1,321	910
Finland	1,647	1,219
Norway	1,041	883
Sweden	602	464
Poland	89	285
Total	**4,700**	**3,762**
Value of new business		
Traditional business (APE)	11	24
Unit–linked (APE)	240	146
Risk products	4	3
New business margin		
Traditional business	16%	15%
Unit–linked	40%	33%
Risk products	16%	14%

Total Nordea Group and Business Areas

	Retail Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group	
EURm	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	3,813	3,814	1,120	1,166	131	135	338	412	123	36	5,525	5,563
Net fee and commission income	1,070	1,126	568	540	1,022	841	–10	–13	–8	–26	2,642	2,468
Net result on items at fair value	326	291	917	1,065	345	414	70	87	–119	–83	1,539	1,774
Equity method	26	21	0	0	0	0	0	–1	53	73	79	93
Other operating income	73	82	1	11	30	29	6	93	–4	-115	106	100
Total operating income	**5,308**	**5,334**	**2,606**	**2,782**	**1,528**	**1,419**	**404**	**578**	**45**	**–115**	**9,891**	**9,998**
Staff costs	–1,365	–1,380	–788	–789	–482	–465	–215	-208	–128	–147	–2,978	–2,989
Other expenses	–1,500	–1,533	–76	–104	–303	–309	–5	–41	49	179	–1,835	–1,808
Depreciations	–103	–107	–35	–39	–5	–5	–47	–55	–37	–61	–227	–267
Total operating expenses	**–2,968**	**–3,020**	**–899**	**–932**	**–790**	**–779**	**–267**	**–304**	**–116**	**–29**	**–5,040**	**–5,064**
Net loan losses	–478	–593	–252	–314	–3	–2	0	0	–2	14	–735	–895
Operating profit	**1,862**	**1,721**	**1,455**	**1,536**	**735**	**638**	**137**	**274**	**–73**	**–130**	**4,116**	**4,039**
Cost/income ratio, %	56	57	34	34	52	55	66	53			51	51
RAROCAR, %	14	13	15	15	26	23					15	14
Volumes, EURbn												
Lending to corporates	82.1	85.8	96.9	88.8					5.4	6.3	184.4	180.9
Household mortgage lending	124.0	123.9	0.5	0.4	5.9	5.6					130.4	129.9
Consumer lending	24.4	25.3			3.3	3.4					27.7	28.7
Corporate deposits	45.1	45.5	66.7	62.6					2.7	3.2	114.5	111.3
Household deposits	74.7	75.7	0.2	0.2	11.3	10.5					86.2	86.4

Risk, Liquidity and Capital management

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

Maintaining risk awareness in the organisation is ingrained in the business strategies. Nordea has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure.

Management principles and control

Board of Directors and Board Risk Committee

The Board of Directors has the ultimate responsibility for limiting and monitoring the Group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Board of Directors, which also decides on policies for credit risk, counterparty credit risk, market risk, liquidity risk, business risk, life insurance risk and operational risk management as well as the ICAAP. All policies are reviewed at least annually.

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

The Board Risk Committee assists the Board of Directors in fulfilling its responsibilities in terms of overseeing management and control of risk, risk frameworks as well as controls and processes associated with the Group's operations.

CEO and GEM

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

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

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

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations and balance sheet risks as well as capital management either for decision by the CEO in GEM or for recommendation by the CEO in GEM and for decision by the Group Board.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Group's risks at an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Furthermore, the Risk Committee decides, within the scope of resolutions adopted by the Board of Directors, on the allocation of the market risk limits as well as the liquidity risk limits to the risk taking units. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocates the respective limits within the unit and may introduce more detailed limits and other risk-mitigating techniques such as stop-loss rules. The Risk Committee has established sub-committees for its work and decision-making within specific risk areas.
- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO, while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk customer limits and industry policies for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

Group Risk Management and Group Corporate Centre

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

Risk appetite

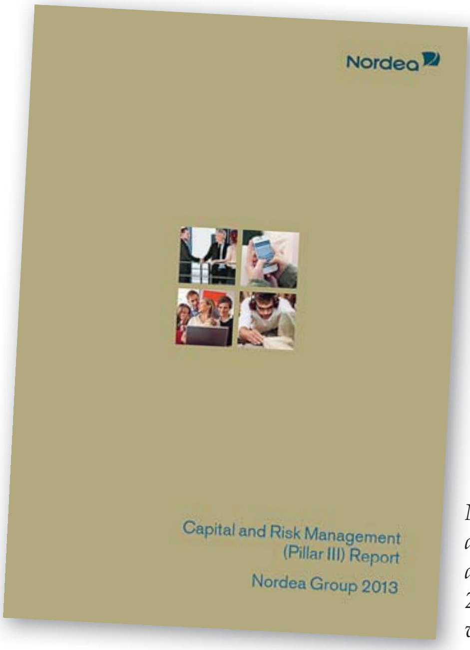
Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

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

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

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

The Risk Appetite framework is further presented in the Capital and Risk management Report.



Nordea's Capital and Risk Management Report 2013, available on www.nordea.com

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 RWA, 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 CRD – Capital and Risk Management Report 2013

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

Risk management

Credit Risk management

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

Within the powers to act granted by the Board of Directors, credit risk limits are approved by credit decision making authorities on different levels in the organisation. The rating and the exposure of the customer decide at what level the decision will be made. Responsibility for a credit risk lies with a customer responsible unit. Customers are assigned a rating or score in accordance with Nordea's rating and scoring guidelines.

Credit risk definition and identification

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

Individual and collective assessment of impairment

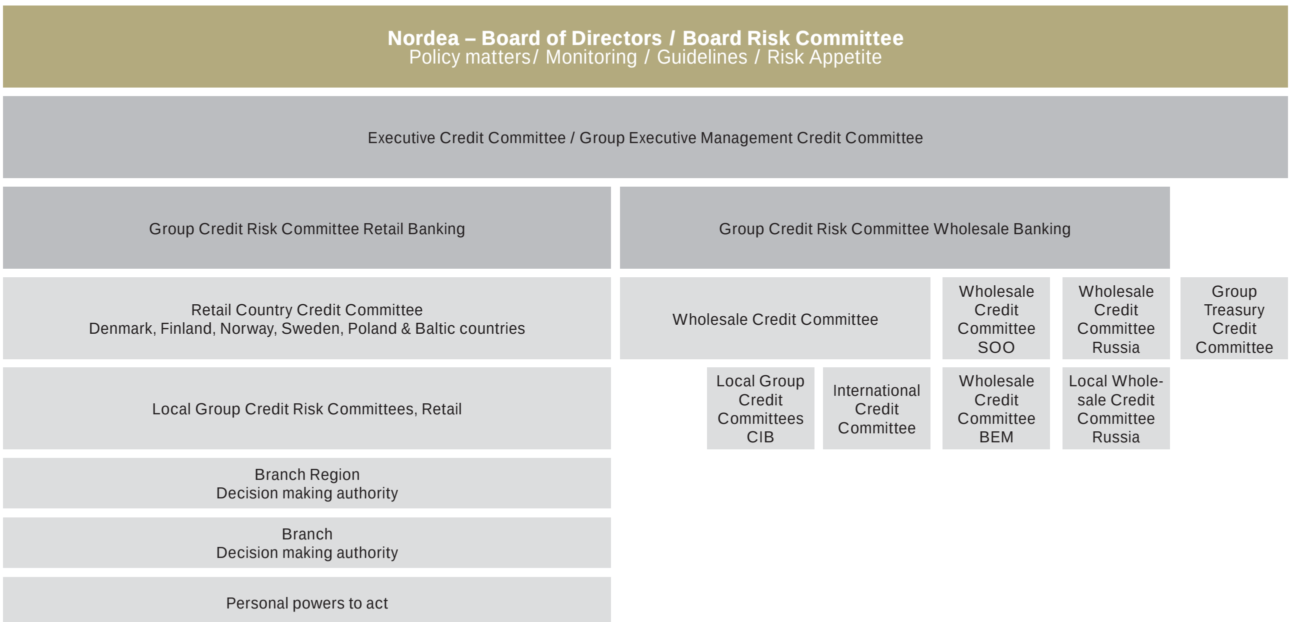
Throughout the process of identifying and mitigating credit impairments, Nordea continuously reviews the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future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

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

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

Further information on credit risk is presented in Note G49 to the Financial statements.

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 2013	31 Dec 2012
Loans to credit institutions	22,589	18,574
Loans to the public	348,595	346,251
– of which corporate	185,189	182,774
– of which household	157,309	158,831
– of which public sector	6,098	4,646
Total loans	**371,185**	**364,825**
Off-balance credit exposure[1]	99,132	105,989
Counterparty risk exposure[2]	44,865	44,294
Treasury bills and interest-bearing securities[3]	75,630	71,471
Total credit risk exposure in the banking operations	**590,812**	**586,579**
Credit risk exposure in the life insurance operations	21,259	23,120
Total credit risk exposure including life insurance operations	**612,071**	**609,699**

1) Of which for corporate customers approx. 90%.
2) After closeout netting and collateral agreements, including current market value exposure as well as potential future exposure.
3) Also includes treasury bills and interest-bearing securities pledged as collateral in repurchase agreements.

Credit portfolio

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

In the following, exposures and other amounts are for total operations, ie including the Polish operations.

Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 612bn (EUR 610bn last year). Total credit exposure according to the CRD definition was at year end after Credit Conversion Factor EUR 480bn (EUR 513bn). See more info and breakdown of exposure according to the CRD definition in Note G49 and in the Capital and Risk management report.

Nordea's total loans to the public increased by 1% to EUR 349bn during 2013 (EUR 346bn in 2012). It is attributable to an increase of approx. 1% in the corporate portfolio and a decrease of 1% in the household portfolio. The lending to the public sector increased. The overall credit quality is solid with strongly rated customers and a slightly positive effect from rating migration on total in the portfolio. Out of lending to the public, corporate customers accounted for 53% (53%), household customers for 45% (46%) and the public sector for 2% (1%). Lending in the Baltic countries constitutes 2.2% (2.4%) and the Shipping and offshore industry 2.8% (3.3%) of the Group's total lending to the public. Lending to companies owned by private equity funds constitutes less than 3% of total lending, of which 99% are senior loans. Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, increased to EUR 23bn at the end of 2013 (EUR 19bn).

Loans to corporate customers

Loans to corporate customers at the end of 2013 amounted to EUR 185bn (EUR 183bn), up 1%. The industries that increased the most in 2013 were Financial institutions and Other, public and organisations while the sectors that decreased most were Real estate, Shipping and Industrial commercial services. The concentration of the three largest industries is approximately 20% of total lending. Real Estate remains the largest sector in Nordea's lending portfolio, at EUR 42.7bn (EUR 45.4bn). The real estate portfolio predominantly consists of relatively large and financially strong companies, with 84% (80%) of the lending in rating grades 4- and higher. Approx. 40% of the lending to the real estate industry is to companies managing mainly residential real estate.

Loans to shipping and offshore decreased by 11% to EUR 10.2bn in 2013 (EUR 11.4bn). The portfolio is well diversified by type of vessel, has a focus on large and financially robust industrial players and exhibits strong credit quality, with an average rating of 4. Nordea is a leading bank to the global shipping and offshore sector with strong brand recognition and a world leading loan syndication franchise. Reflecting Nordea's global customer strategy, there is an even distribution between Nordic and non-Nordic customers.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 71% (69%) of the corporate volume is for loans up to EUR 50m per customer.

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

Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong.

Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation by the use of credit default swaps is applied to a limited extent.

Covenants in credit agreements are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

Loans to household customers

In 2013 lending to household customers decreased by 1% to EUR 157bn (EUR 159bn). Mortgage loans decreased slightly to EUR 129.0bn (EUR 129.5bn) and consumer loans decreased by 3% to EUR 28bn. The proportion of mortgage loans of total household loans was unchanged at 82%, of which the Nordic market accounted for 94%.

Geographical distribution

Lending to the public distributed by borrower domicile shows that the Nordic countries, Baltic countries and Russia account for 89% (89%). The portfolio is geographically well diversified with no market accounting for more than 30% of total lending. Of the Nordic countries Finland has

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

2013–12–31, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Poland	Russia	Group 2013	Group 2012
Energy (oil, gas etc)	4	589	1,085	1,459	108	26	1,269	4,542	4,814
Metals and mining materials	23	297	167	208	15	1	843	1,555	1,906
Paper and forest materials	357	777	61	595	63	1	133	1,987	2,129
Other materials (building materials etc.)	544	1,683	393	1,560	308	74	684	5,246	5,753
Industrial capital goods	365	786	260	613	19	16	30	2,090	1,950
Industrial commercial services, etc.	5,788	1,339	2,338	2,932	288	200	0	12,885	13,876
Construction and engineering	1,156	696	1,564	667	252	45	0	4,378	4,739
Shipping and offshore	661	4,072	4,723	739	1	3	0	10,195	11,419
Transportation	666	725	1,454	1,235	729	30	204	4,444	4,616
Consumer durables (cars, appliances etc.)	329	765	1,107	700	90	14	17	3,022	3,277
Media and leisure	902	539	572	695	91	35	3	2,838	2,985
Retail trade	3,765	2,121	1,402	2,300	589	71	3	10,252	11,136
Consumer staples (food, agriculture, etc.)	8,059	1,512	1,906	481	361	166	15	12,499	12,737
Health care and pharmaceuticals	569	296	173	330	59	16	70	1,512	1,976
Financial institutions	3,035	901	1,166	7,515	202	86	0	12,904	11,883
Real estate	8,057	8,161	9,475	14,803	1,399	142	629	42,667	45,374
IT software, hardware and services	754	346	194	371	12	13	0	1,689	1,738
Telecommunication equipment	4	28	0	2	1	0	20	55	144
Telecommunication operators	57	407	182	382	3	140	51	1,223	1,384
Utilities (distribution and productions)	1,523	1,522	756	1,510	284	19	0	5,613	5,908
Other, public and organisations	1,535	40,987	118	558	337	27	0	43,561	33,033
Total corporate loans	**38,151**	**68,549**	**28,528**	**39,654**	**5,212**	**1,123**	**3,971**	**185,189**	**182,774**
Household mortgage loans	28,851	27,782	25,600	39,408	2,941	3,945	445	128,972	129,498
Household consumer loans	11,713	7,433	1,154	6,135	0	70	33	28,336	29,333
Public sector	1,715	691	52	3,314	37	289	0	6,098	4,646
Total loans to the public	**80,430**	**104,454**	**55,336**	**88,511**	**8,190**	**5,428**	**4,450**	**348,595**	**346,251**
Loans to credit institutions	9,641	9,678	1,662	1,488	5	30	85	22,589	18,574
Total loans	**90,071**	**114,133**	**56,998**	**89,998**	**8,195**	**5,458**	**4,535**	**371,184**	**364,825**

the largest share of lending with slightly below 30% or EUR 104bn. Other EU countries represent the main part of lending outside the Nordic countries.

At the end of 2013, lending to customers in the Baltic countries was EUR 8.2bn (EUR 8.4bn), in Poland EUR 5.4bn (EUR 5.7bn), and in Russia EUR 4.5bn (EUR 4.8bn).

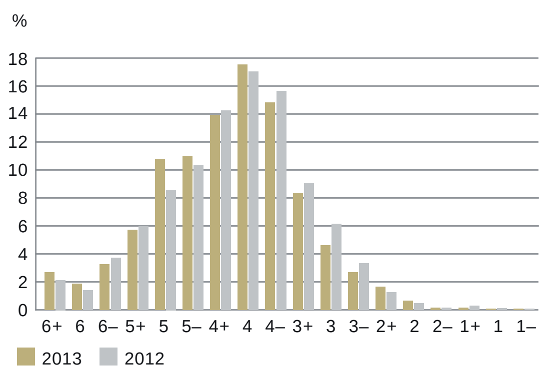
Rating and scoring distribution

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

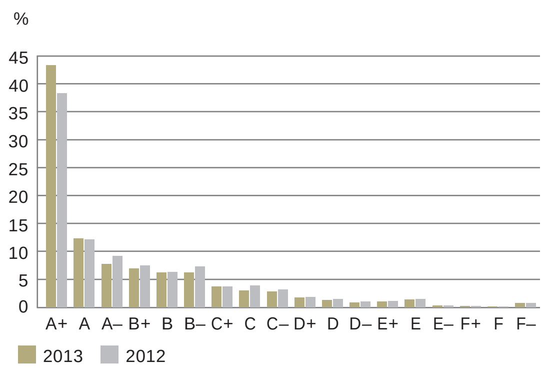
The credit quality was slightly improved in the corporate credit portfolio as well as in the scoring portfolio in 2013. 26% of the number of corporate customers migrated upwards (26%) while 23% were down-rated (24%). Exposure-wise, 21% (23%) of the corporate customer exposure migrated upwards while 20% (21%) was down-rated.

82% (79%) 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% (92%) 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.

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



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

2013–12–31, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Poland	Russia	Group	Allow-ances	Provision-ing ratio
Energy (oil, gas etc.)	0	2	0	0	0	0	0	2	5	
Metals and mining materials	1	44	30	0	2	0	0	77	40	52%
Paper and forest materials	5	1	1	43	0	0	0	50	23	45%
Other materials (building mtrl etc.)	59	186	17	70	14	6	11	358	176	49%
Industrial capital goods	6	56	0	11	0	0	0	73	35	48%
Industrial commercial services etc.	246	130	14	26	16	0	0	432	184	42%
Construction and engineering	135	49	20	11	4	38	0	257	117	45%
Shipping and offshore	166	255	80	20	0	0	0	521	246	47%
Transportation	35	24	1	4	0	6	0	71	29	40%
Consumer durables (cars, appl. etc.)	39	24	3	12	1	0	0	79	73	92%
Media and leisure	61	49	5	3	2	0	0	120	58	48%
Retail trade	179	174	7	20	19	2	0	402	192	48%
Consumer staples (food, agric. etc.)	779	19	8	5	0	1	3	815	265	33%
Health care and pharmaceuticals	17	12	0	2	0	0	0	30	11	35%
Financial institutions	214	56	1	1	0	0	0	272	131	48%
Real estate	389	30	94	26	210	3	0	751	287	38%
IT software, hardware, services	29	53	0	3	0	0	0	86	38	44%
Telecommunication equipment	0	4	0	0	0	0	0	4	2	60%
Telecommunication operators	1	0	79	0	0	0	0	80	67	84%
Utilities (distribution, production)	7	1	1	0	1	0	0	10	7	77%
Other, public and organisations	96	31	0	0	5	0	0	132	107	82%
Total corporate impaired loans	**2,462**	**1,201**	**362**	**259**	**273**	**57**	**15**	**4,623**	**2,092**	**45%**
Household mortgage loans	591	95	24	52	179	79	4	1,025	201	20%
Household consumer loans	625	239	35	121	0	3	7	1,032	597	58%
Public sector	0	0	0	0	0	0	0	0	0	212%
Credit institutions	0	24	0	0	0	0	0	24	27	111%
Total impaired loans gross	**3,677**	**1,560**	**421**	**432**	**453**	**140**	**26**	**6,704**		
Total allowances	**1,461**	**670**	**295**	**193**	**168**	**98**	**26**		**2,917**	
Provisioning ratio	**40%**	**43%**	**70%**	**45%**	**37%**	**70%**	**100%**			**44%**

The total effect on credit risk-weighted amount (RWA) from rating migration was a decrease of approx. 0.7% during the full year 2013.

Impaired loans

Impaired loans gross in the Group decreased by 3% during the year to EUR 6,704m from EUR 6,905m, corresponding to 179 basis points of total loans (188bp). 58% of impaired loans gross are performing loans and 42% are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to EUR 4,221m (EUR 4,505m), corresponding to 113 basis points of total loans (123bp). Allowances for individually assessed loans increased to EUR 2,483m from EUR 2,400m. Allowances for collectively assessed loans decreased to EUR 434m from EUR 448m. The ratio of individual allowances to cover impaired loans increased to 37% (35%), while total allowances in relation to impaired loans increased to 43% (41%).

The decrease in impaired loans was mainly related to improved conditions for the shipping sector. In Shipping a decrease in impaired loans of EUR 350m was seen in 2013. The sectors with the largest increases in impaired loans were Financial institutions and Real estate, as well as the household sector.

Impairment testing is typically undertaken in forbearance situations. Forbearances are negotiated terms of interests/maturities due to borrowers' financial stress.

Past due loans 6 days or more to corporate customers that are not considered impaired decreased to EUR 1,257m (EUR 1,929m) while past due loans to household customers decreased to EUR 1,539m (EUR 1,773m) in 2013.

Impaired loans and ratios

EURm	2013	2012
Impaired loans gross, Group	6,704	6,905
of which performing	3,909	4,023
of which non-performing	2,795	2,882
Impaired loans ratio, basis points	179	188
Total allowance ratio, basis points	78	77
Provisioning ratio	43%	41%

Net loan losses

Loan losses decreased to EUR 761m in 2013 from EUR 933m in 2012. This corresponded to a loan loss ratio of 22 basis points (28 basis points in 2012) for the total operations and 21 basis points (26 basis points) for the continuing operations, excluding the Polish operations.

EUR 558m relates to corporate customers (EUR 676m) and EUR 213m (EUR 253m) relates to household customers. Within corporates the main losses were in sectors Shipping and Telecom, while the major part of the household loan losses was in Denmark. Loan losses in Shipping were EUR 98m in 2013 compared to EUR 241m in 2012. The tanker and dry cargo markets have been weak also in 2013, primarily due to oversupply of vessels, although an improvement has been seen in freight rates for large dry bulk vessels. 2013 was the last year of large deliveries of new tonnage, which should have a stabilising effect on these market segments in the medium term. The weak freight rates in certain shipping segments caused further deterioration in collateral values, resulting in additional loan loss provisions but at lower levels than in 2012.

Collective net loan losses were EUR 41m, compared to positive loan losses of EUR 131m in 2012.

In the Baltic countries, the loan loss ratio was 27 basis points compared to 4 basis points a year ago.

Net loan losses and loan loss ratios

Basis points of loans	2013	2012
Net loan losses, EURm	–761	–933
Loan loss ratio, Group (total operations)	22	28
of which individual	21	31
of which collective	1	–3
Loan loss ratio, Group (continuing operations)	21	26
Loan loss ratio, Retail Banking	20	26
Loan loss ratio, Corporate & Institutional Banking	47	15
Loan loss ratio, Shipping, Offshore & Oil Services	76	176
Loan loss ratio, Baltic countries	27	4

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The pre-settlement risk (current exposure and potential future exposure) at the end of December 2013 was EUR 45bn, of which the current exposure net (after close-out netting and collateral reduction) represents EUR 9bn. 56% of the pre-settlement risk and 37% of the current exposure net was towards financial institutions.

Market risk

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

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

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

Earnings and cost streams generated in foreign currencies or from foreign branches generate an FX exposure, which for the individual Nordea companies is handled in each company's FX position. Currency translation differences in the Group's equity is generally a factor 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 from a change in financial market variables, a change in interest rates could also affect the net interest income over time. In Nordea, this is seen as structural interest income risk (SIIR).

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

Measurement of market risk

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

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

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

Consolidated market risk figures, VaR[1]

EURm	Measure	31 Dec 2013	2013 high	2013 low	2013 avg	31 Dec 2012
Total risk	VaR	148.0	162.7	31.9	74.3	30.8
– Interest rate risk	VaR	153.3	166.3	36.5	81.5	35.9
– Equity risk	VaR	5.6	12.6	2.1	4.9	10.6
– Credit spread risk	VaR	17.5	26.0	8.1	17.3	15.9
– Foreign exchange risk	VaR	7.4	14.1	2.7	7.3	13.2
Diversification effect	VaR	20%	55%	13%	36%	60%

1) For a description of Nordea's VaR model, see "Measurement of market risk" page 59.

Market risk analysis

The consolidated market risk for the Nordea Group, presented in the table above, includes both the trading book and the banking book. The total VaR was EUR 148m at the end of 2013 (EUR 31m at the end of 2012). The increase in total VaR over the year is mainly related to the increase in interest rate VaR, which is a reflection of changed positions and an increased interest rate level. Interest rate VaR was EUR 153m (EUR 36m), with the largest part of the interest rate sensitivity stemming from interest rate positions in EUR and SEK. The diversification effect between risk categories has decreased significantly. This is to a large extent a consequence of the significant increase in interest rate VaR relative to the other risk categories. Commodity risk was at an insignificant level.

The fair value of the portfolio of illiquid alternative investments was EUR 497m at the end of 2013 (EUR 584m at the end of 2012), of which private equity funds EUR 259m, hedge funds EUR 117m, credit funds EUR 100m and seed-money investments EUR 21m. All four types of investments are spread over a number of funds.

Foreign exchange rate positions in FX VaR[1]

EURm	2013	2012
DKK	643.5	1,600.0
GBP	94.6	23.0
SEK	–87.0	6.9
USD	80.0	85.5
CHF	–60.7	–129.3
AUD	–59.4	–14.3
NOK	55.1	151.1
JPY	44.5	–39.3
LTL	26.1	35.2
Other[2]	14.0	7.8

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

Structural Interest Income Risk (SIIR)

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

SIIR reflects the mismatch in the balance sheet items and the off-balance sheet items when the interest rate repricing periods, volumes or 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 Treasury has the responsibility for the operational management of SIIR.

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios s (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 as shown in the table below, which also covers repricing gaps over 12 months. The balance sheet and margins on assets and deposits are assumed to be constant over time, however main elements of the 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 409m (EUR 442m) and the SIIR for decreasing market rates was EUR –466m (EUR –492m) These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

Operational risk

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems, or from external events.

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

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

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

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

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

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.

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

Liquidity management

Key issues during 2013

During 2013, 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 approximately EUR 23bn in long-term debt, of which approximately EUR 12bn in the Swedish, Finnish and Norwegian covered bond markets. Swedish FSA introduced Liquidity Coverage Ratio (LCR) requirement in the beginning of 2013, and Nordea is LCR compliant in all currencies combined and separately in USD and EUR.

Management principles and control

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

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

Liquidity risk management

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

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

Nordea's funding sources are presented in a table below. As of year-end 2013, the total volume utilised under short-term programmes was EUR 52.3bn (EUR 57.2bn) with the average maturity being 0.2 years (0.2 years). The total volume under long-term programmes was EUR 133.3bn (127.2bn) with average maturity being 5.8 years (6.1 years). During 2013, the volume of long-term programmes increased by EUR 6.1bn whilst the volume of short-term programmes decreased by EUR 4.9bn. Trust is fundamental in the funding market, therefore Nordea periodically publishes information on the liquidity situation of the Group.

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

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

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

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

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

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

Liquidity risk analysis
The short-term liquidity risk remained at moderate levels throughout 2013. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +16.8bn (EUR +10.1bn). Nordea's liquidity buffer range was EUR 58.2 – 72.5bn (EUR 57.3bn – 68.9bn) throughout 2013 with an average buffer size of EUR 64.4bn (EUR 63.1bn). Nordea's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury. Survival horizon was in the range EUR 49.0bn – 68.2bn (EUR 23.2bn – 68.0bn) throughout 2013 with an average of EUR 59.0bn (EUR 47.2bn). The aim of always maintaining a positive NBSF was comfortably achieved throughout 2013. The yearly average for the NBSF was EUR 52.8bn (EUR 54.1bn).

The Liquidity Coverage Ratio (LCR) for the Nordea Group was at the end of 2013 117% (127%) with a yearly average of 130%. At the end of 2013 the LCR in EUR was 140% (181%) and in USD 127% (283%), with yearly averages of 199% and 138%, respectively.

Net balance of stable funding, 31 December 2013

Stable liabilities and equity, EURbn	Amount
Tier 1 and tier 2 capital	28.0
Secured/unsecured borrowing >1 year	117.9
Stable retail deposits	31.3
Less stable retail deposits	61.0
Wholesale deposits <1 year	73.2
Total stable liabilities	**311.6**

Stable assets, EURbn	Amount
Wholesale and retail loans >1 year	247.2
Long-term lending to banks and financial companies	1.0
Other illiquid assets	11.6
Total stable assets	**259.8**
Off-balance-sheet items	**2.5**
Net balance of stable funding (NBSF)	**49.2**

Funding sources, 31 December 2013

Liability type, EURm	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
– shorter than 3 months	Euribor etc	0.0	57,082
– longer than 3 months	Euribor etc	1.4	2,086
Deposits and borrowings from the public			
– Deposits on demand	Administrative	0.0	121,857
– Other deposits	Euribor etc	0.3	82,270
Debt securities in issue			
– Certificates of deposits	Euribor etc	0.2	16,329
– Commercial papers	Euribor etc	0.2	35,975
– Mortgage covered bond loans	Fixed rate, market-based	7.0	92,225
– Other bond loans	Fixed rate, market-based	3.2	41,074
Derivatives		n.a.	65,925
Other non-interest-bearing items		n.a.	32,006
Subordinated debentures			
– Dated subordinated debenture loans	Fixed rate, market-based	7.4	4,107
– Undated and other subordinated debenture	Fixed rate, market-based	n.a.	2,438
Equity			29,209
Total (total liabilities and equity)			**582,583**
Liabilities to policyholders (in the Life insurance operations)			47,851
Total (total liabilities and equity) including Life insurance operations			**630,434**

For a maturity breakdown, see Note G47.

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 capital base described in this section follow the CRD rules and not accounting standards, see Note G40 for details. Therefore the capital requirement and the capital base are only applicable for the Financial Group of Nordea Bank AB (publ), in which the insurance companies are not consolidated.

Capital requirements and RWA

	31 Dec 2013		31 Dec2012
EURm	Capital requirement	Basel II RWA	Basel II RWA
Credit risk	**10,376**	**129,705**	**145,340**
IRB foundation	8,965	112,061	122,050
– of which corporate	6,787	84,844	90,561
– of which institutions	468	5,848	8,384
– of which retail mortgage	862	10,772	11,440
– of which retail other	622	7,778	9,007
– of which retail SME	104	1,298	1,264
– of which other	122	1,521	1,395
Standardised	**1,412**	**17,644**	**23,290**
– of which sovereign	34	428	426
– of which institutions	49	611	583
– of which corporate	301	3,768	9,160
– of which retail	862	10,776	10,752
– of which other	165	2,061	2,369
Market risk	**700**	**8,753**	**6,323**
– of which trading book, Internal approach	410	5,131	3,897
– of which trading book, Standardised approach	186	2,321	1,727
– of which banking book, Standardised approach	104	1,301	699
Operational risk	**1,344**	**16,796**	**16,229**
Standardised	1,344	16,796	16,229
Sub total	**12,420**	**155,254**	**167,892**
Adjustment for transition rules			
Additional capital requirement according to transition rules	4,318	53,969	46,631
Total	**16,738**	**209,223**	**214,523**

Capital policy

In light of the upcoming regulatory environment, Nordea established a new capital policy in 2013.

The capital policy states that, no later than 1 January 2015, the target for the core tier 1 capital ratio is to be above 13% and for the total capital ratio to be above 17%.

The capital policy is based on management's current best view on capitalisation although there is still uncertainty regarding the local implementation of the CRDIV. The targets are considered minimum targets under normal business conditions, as the regulatory framework is dynamic through the cycle.

Minimum capital requirements

Risk-weighted assets (RWA) are calculated in accordance with the requirements in the CRD. Nordea had 77% of the credit risk exposure covered by internal rating based (IRB) approaches by the end of 2013. Nordea aims to implement the IRB approach for some remaining portfolios. During the first quarter 2013 Nordea implemented the internal model method (IMM) for calculation of counterparty credit risk in Finland and Sweden. In the fourth quarter 2013, Nordea was approved to use the Foundation IRB approach for its corporate and institution portfolio in Russia.

Additionally, in January 2014 the Swedish Financial Supervisory Authority (FSA) in agreement with the three other Nordic FSAs approved Nordea's application to use the advanced IRB approach for the Group's corporate exposures in the Nordic region. The advanced IRB approach will be implemented in the capital adequacy calculations during the first quarter of 2014 and the pro forma fourth quarter 2013 impact on the core tier 1 capital ratio is calculated at approx. 0.7 %-points.

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

Internal capital requirement

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

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

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

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

Economic Capital (EC including Nordea Life and Pensions) was at the end of 2013 EUR 22.8bn (EUR 23.8bn as of 2012, 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 2013, the EL framework was revised to more accurately reflect historical actual losses.

The EL ratio used in the EP framework, calculated as EL divided by exposure at default (EAD), was 13 basis points as of year-end 2013 (14 basis points as of 2012, restated) excluding the sovereign and institution exposure classes.

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

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

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion of subordinated capital loans (undated loans) instruments (maximum 50% of tier 1). Profit may only be included after deducting the proposed dividend. Goodwill, deferred tax assets, IRB shortfall as well as investment in credit institutions are deducted from tier 1. Changed regulatory deductions for investment in insurance companies also impacted the tier 1 capital in 2013, i.e. the relevant investment should from 1 January 2013 be deducted equally from Tier 1 and Tier 2.

Tier 2 comprises undated loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, i.e. investments in insurance companies and investments in credit institutions. The above requirements will however change under CRDIV.

Summary of items included in capital base

EURm	31 Dec 2013	31 Dec 2012
Calculation of total capital base		
Equity	29,209	28,216
Proposed/actual dividend	–1,734	–1,370
Subordinated capital loans	1,949	1,992
Deferred tax assets	–68	–201
Intangible assets	–2,987	–3,094
IRB provisions excess (+)/shortfall (–)	–369	–554
Deduction for investments in credit institutions (50%)	–99	–103
Deductions for investments in insurance companies	–616	–
Other items, net	–841	–933
Tier 1 capital (net after deduction)	**24,444**	**23,953**
– of which subordinated capital	1,949	1,992
– of which deductions for investments in insurance companies	–616	–
Tier 2 capital	**4,870**	**5,440**
– of which undated subordinated loans	682	708
IRB provisions excess (+)/shortfall (–)	–369	–554
Deduction for investments in credit institutions (50%)	–99	–103
Deductions for investments in insurance companies	–616	–
Pension assets in excess of related liabilities	–190	–1,462
Total capital base	**28,040**	**27,274**

Capital adequacy ratios

	2013	2012
Core tier 1 ratio excluding transition rules (%)	14.9	13.1
Tier 1 ratio excluding transition rules (%)	15.7	14.3
Capital ratio excluding transition rules (%)	18.1	16.2
Capital adequacy quotient (Capital base/capital requirement excluding transition rules)	2.3	2.0
Core tier 1 ratio including transition rules (%)	11.0	10.2
Tier 1 ratio including transition rules (%)	11.7	11.2
Capital ratio including transition rules (%)	13.4	12.7
Capital adequacy quotient (Capital base/capital requirement including transition rules)	1.7	1.6

Capital situation of the financial conglomerate
As the Sampo Group had an owner share of more than 20% in Nordea Bank AB (publ) as of December 31, Nordea is part of the Sampo financial conglomerate and falls under the same supervisory authority as Sampo Group (which is the Finnish FSA) in accordance to the Finnish Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC.

Further information – Note G40 Capital adequacy and the Capital and Risk Management Report
Further information on capital management and capital adequacy is presented in Note G40 Capital adequacy and in the Capital and Risk Management Report at www.nordea.com.

New regulations

The final version of the Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) for the European financial market was published in June 2013. The Directive will be implemented through national law in all EU countries during 2014 while the Regulation will become applicable in all EU countries from 1 January 2014 directly through the European process. In addition to CRD IV/CRR, there are several closely related proposals emerging.

CRD IV and CRR

The CRD IV/CRR is intended to set a single rule book for all banks in all EU Member States in order to avoid divergent national rules. The European Banking Authority (EBA) are supporting the process by issuing binding technical standards and are expected to deliver more than 100 standards due to CRD IV/CRR, of which a large number were issued for consultation during 2013.

The CRD IV/CRR includes several key initiatives, which change the current requirements that have been in effect since 2007. The regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of liquidity standards.

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

- Core tier 1 (referred to as Common equity tier 1 in CRD IV/CRR) capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

The CRD IV also introduces a number of capital buffers. All buffers are to be expressed in relation to RWA and to be covered by CET1 and represent additional capital to be held on top of the minimum regulatory requirements. The buffers are a capital conservation buffer of 2.5%, a countercyclical capital buffer as an extension of the capital conservation buffer, which will be developed in national jurisdictions when excess credit growth is judged to be associated with a build-up of system-wide risk and are to be set in the range 0–2.5%. Supervisory authorities shall also require that globally systemically important institutions (G-SIIs) hold buffer of additionally 1–3.5%. In addition, the CRD IV allows for a Systemic Risk Buffer (SRB) to be added as well as a buffer for other systemically important institutions (O-SIIs). The O-SII buffer can be set up to 2% and the SRB can be set up to 3% for a banks all exposures and up to 5% for a banks domestic exposures. Breaching of these buffer requirements will restrict banks' capital distribution, such as dividend.

RWA will mainly be affected by additional requirements for counterparty credit risk, by introducing capital requirements for Credit Valuation Adjustment- risk and Central Counterparties, an introduction of an asset correlation factor for exposures towards large financial institutions and a multiplication factor of 0,7619 for exposures to SMEs. Several countries are also discussing the introduction of higher risk weights or other restrictions on mortgage lending. The CRD IV/CRR also introduces a non-risk-based measure, the leverage ratio, in order to limit an excessive build-up of leverage on credit institutions' balance sheets, thus helping to contain the cyclicality of lending.

CRD IV/CRR also introduces two new quantitative liquidity standards; liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR requires that a bank hold liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of 30 days. NSFR requires that a bank shall ensure that long term obligations are adequately met with a diversity of stable funding instruments under both normal and stressed conditions. CRD IV/CRR does not contain detailed rules for NSFR. BCBS published detailed proposals for NSFR in 2010 and changed proposals on 12 January 2014. According to the Basel proposals, a bank' Available Stable Funding (ASF) shall be at least equal to its Required Stable Funding (RSF). ASF and RSF are determined by pre-specified factors. LCR is expected to be phased in from January 2015 while NSFR might be introduced as a minimum standard by January 2018, but local requirements might give earlier implementation.

Other new regulation

FSB has published "Key Attributes of Effective Resolution Regimes for Financial Institutions". The Bank Recovery and Resolution Directive (BRRD) is the EU implementation of the FSB guidelines, and was finally agreed upon in December 2013. The BRRD addresses how to maintain financial stability through reducing the systemic impact of failing financial institutions.

The BCBS has published a second consultative document on a fundamental review of the trading book. The aim is to strengthen the resilience to market risks due to observed weaknesses during the crisis. The review sets out a potential definition of the scope of the trading book and also proposes to strengthen the relationship between the standardised and internal models based approaches.

In 2012, the Commission presented a proposal to move to a full banking union in the Eurozone. In December 2013 the Parliament and the Council ensured that the European Central Bank (ECB) will be responsible for the supervision of banks in the framework of the Single Supervisory Mechanism (SSM). This is the first effective step in creating the banking union. A banking union can be defined as a fully integrated bank regulatory and supervisory system within a federal structure. National supervisors will however continue to play an important role in preparing and implementing the ECB's decisions. In order to increase consistency and efficiency of supervisory practises the EBA will continue to develop the single rule book applicable to all 27 member states. It will also ensure that regular stress-tests are carried out to assess the resilience of European banks. For banks active in several countries, both inside and outside the Eurozone, existing home/host supervisor coordination procedures will continue to exist as they do today.

In February 2012, the EU Commission established a High-level Expert Group (HLEG) with the task to assess whether additional reforms on the structure of individual banks should be considered. The HLEG presented a report in October 2012 with the suggestion to have a mandatory separation of proprietary trading and other so called high risk trading activities from the normal banking activities. During 2013 the Commission has been working on a legislative proposal and an impact study and a proposal was presented early 2014.

New regulation is also approaching the insurance business – Solvency II. Agreement has been reached on the details of the Omnibus II Directive. This provides a way forward for a consistent prudential framework for insurance regulation across Europe from 1 January 2016.

Corporate Governance Report

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

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

Corporate governance at Nordea

Nordea Bank AB (publ) is a Swedish public limited company listed on the NASDAQ OMX Nordic, the 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 OMX Nordic rules and the rules and principles of the Code. Nordea complies with the Code and has no deviations to report in 2013.

In 2013, the Company had neither any infringement of the applicable stock exchange rules nor any breach of good practice in the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council.

This Corporate Governance Report has been examined by the auditors. The Code is available at www.corporategovernanceboard.se.

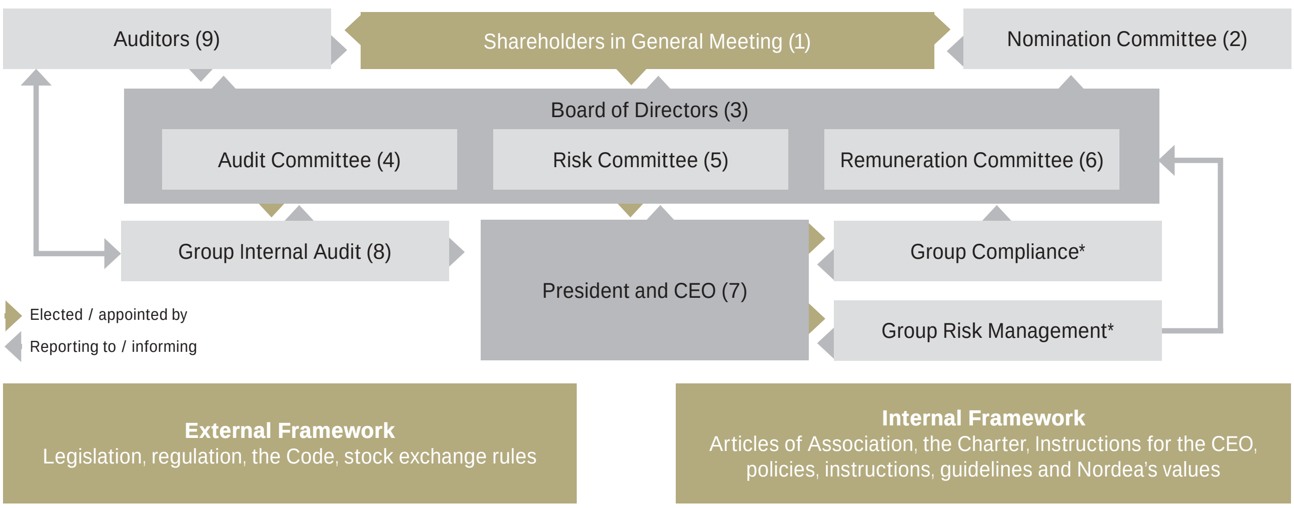
Division of powers and responsibilities

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

General Meetings (1)

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

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 18 to 19 and 53 to 61.

General Meetings are held in Stockholm. The minutes of the Annual General Meeting (AGM) 2013, are available at www.nordea.com.

The AGM 2014 will be held on Thursday 20 March 2014.

Voting rights
According to the Articles of Association, shares may be issued in two classes, ordinary shares and C-shares. All shares in Nordea carry voting rights, with each ordinary share entitled to one vote and each C-share entitled to one tenth of one vote at General Meetings. At General Meetings, each shareholder is entitled to vote for the full number of shares that he or she owns or represents. Nordea is not entitled to vote for its own shares at General Meetings. More information about the Nordea share is presented in the section "The Nordea share and shareholders" on page 13 and in the "Financial Review 2013" on page 46.

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 repurchase and convey own shares
Information on the mandate to repurchase and convey own shares is presented in the Financial Review on page 48.

Mandate to issue of convertible instruments
Information on the mandate to issue convertible instruments is presented in the Financial Review on page 49.

Nomination process (2)
The AGM 2013 decided to appoint a Nomination Committee with the task, with reference to the AGM 2014, of proposing Board members, the Chairman of the Board and auditor as well as remuneration for the Board members and auditor.

The Nomination Committee comprises Björn Wahlroos (Chairman of the Board) and the four largest shareholders in terms of voting rights at 31 August 2013, who wished to participate in the Committee. The appointment of the members of the Nomination Committee was made public on 17 September 2013. Sampo plc appointed Torbjörn Magnusson, the Swedish government appointed Daniel Kristiansson, Nordea-fonden appointed Mogens Hugo and AMF appointed Peder Hasslev. Torbjörn Magnusson was appointed chairman of the Committee. On 1 October 2013 a change of the Nomination Committee was announced after the Swedish government had sold its shareholding in Nordea and Daniel Kristiansson, who was appointed by the government, had left the Committee. The Fourth Swedish National Pension Fund appointed Monica Caneman. At the date of constitution, the Nomination Committee represented approximately 35 per cent and at the date of the change mentioned above approximately 29 per cent of the shareholders' votes.

The proposals of the Nomination Committee are presented in the notice of the AGM 2014 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.

Furthermore, 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.

The Board currently consists of nine members elected by the General Meeting. In addition three members and one deputy member are appointed by the employees. Employees are entitled under Swedish legislation to be represented 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 69 and further information regarding the Board members elected by the AGM 2013 is presented in the section "Board of Directors" on page 212.

Independence of the Board of Directors
Nordea complies with applicable rules regarding the independence of the Board. The Nomination Committee considers all of the members elected by the shareholders to be independent of the Company and its executive management.

All Board members elected by the shareholders, apart from Björn Wahlroos and Kari Stadigh, are independent in relation to the Company's major shareholders. Björn Wahlroos is chairman of Sampo plc and Kari Stadigh is managing director and CEO of Sampo plc, which owns more than ten per cent of all shares and votes in Nordea.

Thus, the number of Board members who are independent in relation to the Company and its executive management, and independent in relation to the Company's major shareholders, exceeds the minimum requirements.

No Board member elected by the General Meeting is employed by or works in an operative capacity at the Company. All Board members and deputy Board members 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 69.

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 2013 elected the vice Chairman and appointed the Board Committee members. The Board has adopted written work procedures governing its work and its work carried out in the Board Committees (the Charter). For example, the Charter sets forth the Board's and the Chairman's areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains rules regarding conflicts of interest and confidentiality. Furthermore, the Board of Directors has adopted instructions for the CEO specifying the CEO's responsibilities as well as other charters, policies and instructions for the operations

of the Group. These, together with the Articles of Association, the Charter and Nordea's values, constitute the internal framework that regulates corporate governance at Nordea. Further information regarding Nordea's values is presented in the section Strategy – the future relationship bank developing, on page 10.

The Board is charged with the organisation of Nordea and the management of the Company's operations and the overall management of the Nordea Group's affairs in accordance with the external and internal framework. Furthermore, the Board shall ensure that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained.

Group Internal Audit (GIA) annually issues to the Board an overall assurance statement on Nordea's governance, risk management and control processes. The assurance statement for 2013 concludes that the internal control system is adequate and effective. Further information regarding internal control within Nordea is provided below under "Internal Control Process".

At least once a year, the Board meets the external auditor without the CEO or any other Company executives being present. In addition, the auditor in charge meets separately with the Chairman of the Board and the Chairman of the Board Audit Committee.

In 2013, the Board held eleven meetings. Nine meetings were held in Stockholm, one in Copenhagen and one meeting was held per capsulam. For more information see the table on page 69. The Board regularly follows up on the strategy, financial position and development and risks. The financial targets and the strategy are reviewed on an annual basis. In 2013, the Board also dealt with for example reports on and issues related to the financial market and macroeconomic trends, new regulatory initiatives, capital and liquidity, Internal Capital Adequacy Assessment Process (ICAAP), the work of the Board Committees, HR and remuneration issues, and transactions of significance.

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

The Chairman

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

Evaluation of the Board

The Board of Directors annually conducts a self-evaluation process, through which the performance and the work of the Board is evaluated and discussed by the Board. The evaluation is based on methodology that includes questionnaires to evaluate the Board as a whole, the Chairman and individual Board members.

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 Group Executive Management (GEM), as well as the effectiveness of Group Internal Audit. The BAC is further accountable for keeping itself informed as to the statutory audit of the annual and consolidated accounts and reviewing and monitoring the impartiality and independence of the external auditors and, in particular, the provision of additional services to the Nordea Group. In addition, the BAC is accountable for the guidance and evaluation of the GIA.

Members of the BAC are Svein Jacobsen (chairman), Elisabeth Grieg, as of AGM 2013 and Sarah Russell. Generally, the Group Chief Audit Executive (CAE) and the Chief Financial Officer (CFO) are present at meetings and are entitled to participate in discussions, but not in decisions.

According to the Swedish Companies Act and the Code, the majority of the members of 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 69.

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 Tom Knutzen. 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 55.

There are no rules on the independence of BRIC members in the external framework. For more information, see the table on page 69.

The Board Remuneration Committee (6)

The Board Remuneration Committee (BRC) is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This duty includes proposals regarding the Nordea Remuneration Policy and underlying instructions, as well as guidelines for remuneration for the executive officers to be decided by the AGM. The BRC is also responsible for proposals regarding remuneration for the CEO, other members of GEM as well as the CAE and, on the proposal of the CEO, for the Group Compliance Officer and the Head of Group Credit Control.

At least annually, the BRC follows up on the application of the Nordea Remuneration Policy and underlying instructions through an independent review by the GIA, and exercises an assessment of the Nordea Remuneration Policy and remuneration system with the participation of appropriate control functions. The BRC also has the duty of annually monitoring, evaluating and reporting to the Board on the programmes for variable remuneration for GEM, as well as the application of the guidelines for remuneration for executive officers. At the request of the Board, the BRC also prepares other issues of principle for the consideration of the Board.

Members of the BRC are Marie Ehrling (chairman), Peter F Braunwalder 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 73 and in Note G7, on page 115.

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 with the planning of Board meetings.

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

	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)	11 (1)	9	6	5		
Meetings attended:						
Elected by AGM						
Björn Wahlroos[2]	11	—	—	5	Yes	No
Marie Ehrling[3]	11	—	—	5	Yes	Yes
Stine Bosse[4]	1	1	—	—	Yes	Yes
Peter F Braunwalder	10	—	—	4	Yes	Yes
Elisabeth Grieg[5]	7	6	—	—	Yes	Yes
Svein Jacobsen	11	9	—	—	Yes	Yes
Tom Knutzen	11	—	6	—	Yes	Yes
Lars G Nordström	11	—	6	—	Yes	Yes
Sarah Russell	11	8	—	—	Yes	Yes
Kari Stadigh	11	—	6	—	Yes	No
Appointed by employees						
Kari Ahola (deputy 1 Nov 2012–30 Apr 2013)	9	—	—	—	No	Yes
Ole Lund Jensen[6]	3	—	—	—	No	Yes
Toni H. Madsen[7]	8	—	—	—	No	Yes
Steinar Nickelsen[6]	3	—	—	—	No	Yes
Lars Oddestad (deputy 1 Nov 2013–30 Apr 2014)	11	—	—	—	No	Yes
Hans Christian Riise[7] (deputy 1 May 2013–31 Oct 2011'	8	—	—	—	No	Yes

1) For additional information, see Independence on page 67.
2) Chairman from AGM 2011.
3) Vice Chairman from AGM 2011.
4) Board and Committee member until AGM 2013.
5) Board and Committee member from AGM 2013.
6) Board member until AGM 2013.
7) Board member from AGM 2013.

mation regarding the control environment for risk exposures is presented in the section; "Risk, Liquidity and Capital management", on page 53. The CEO works together with executive officers within the Group in GEM. Presently, GEM consists of six members and the CEO. GEM meets regularly and whenever necessary upon request by the CEO. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Notes of meetings, verified by the CEO, are kept. Further information regarding the CEO and GEM is presented in the section "Group Executive Management", on page 214.

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

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

Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. In the first line of defence, the business organisation and Group Functions are responsible for conducting their business within risk exposure limits and in accordance with the decided internal control and risk management framework. As second line of defence, the centralised risk group functions are responsible for providing the internal control and risk management frame work. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes, which is the third line of defence.

Internal audit (8)
Group Internal Audit (GIA) is an independent function commissioned by the Board of Directors. The Board Audit Committee is responsible for guidance on and evaluation of GIA within the Nordea Group. The Group Chief Audit Executive (CAE) bears overall responsibility for GIA. The CAE reports on a functional basis to the Board of Directors and the Board Audit Committee and reports on an administrative basis to the CEO. The Board of Directors approves the appointment and dismissal of the CAE.

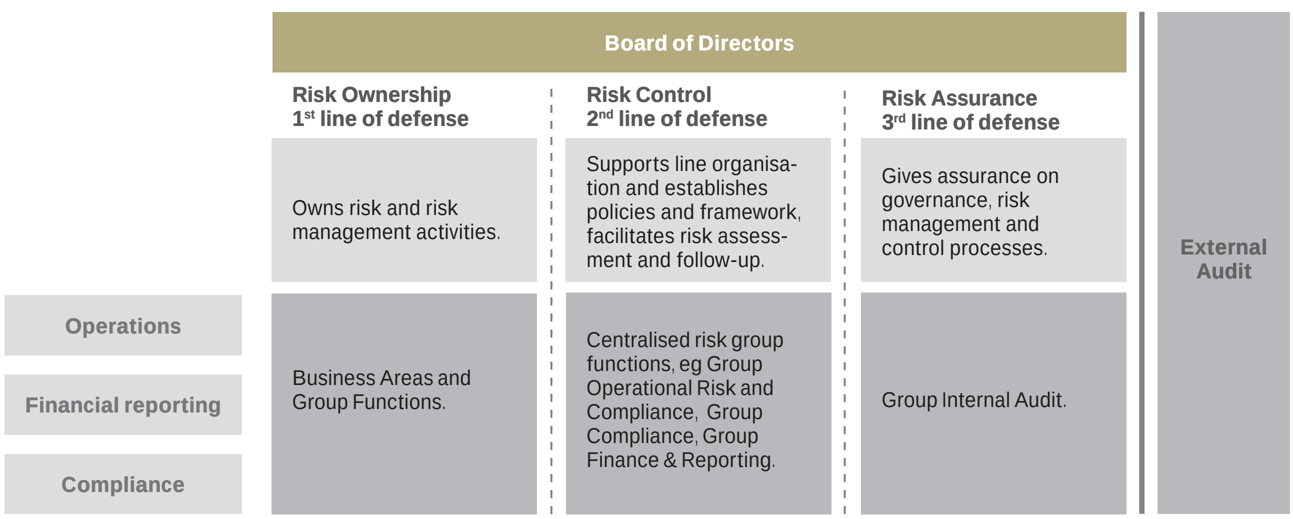
GIA does not engage in consulting activities unless the Board Audit Committee gives it special assignments. The purpose of GIA's assurance activity is to add value to the organisation by assuring the quality of the governance, risk management and control processes, and by promoting continuous improvement.

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

GIA operates without interference in determining the scope of internal auditing, performing its audit work and communicating its results. GIA is authorised to carry out all investigations and obtain all information required to execute its duties. The work of GIA shall comply with the Standards for the International Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the Standards for Information Systems Auditing issued by ISACA. The annual audit plans are based on a comprehensive risk assessment.

External audit (9)
According to the Articles of Association, one or two auditors must be elected by the General Meeting for a term of one year. At the AGM 2013, KPMG AB was re-elected

Internal control process



auditor for the period of time until the end of the AGM 2014. As of the AGM 2013, Hans Åkervall is the auditor-in-charge, replacing Carl Lindgren.

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 original COSO Framework as follows below. (Internal Control - Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission ("original COSO Framework") as an updated 2013 Framework has been issued. The adoption of the 2013 Framework has a transition period until 15 December 2014).

Control Environment

The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Board of Directors and executive management.

Further information regarding Nordea's values is presented in the section "Strategy – shaping the future relationship bank" on page 10.

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

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

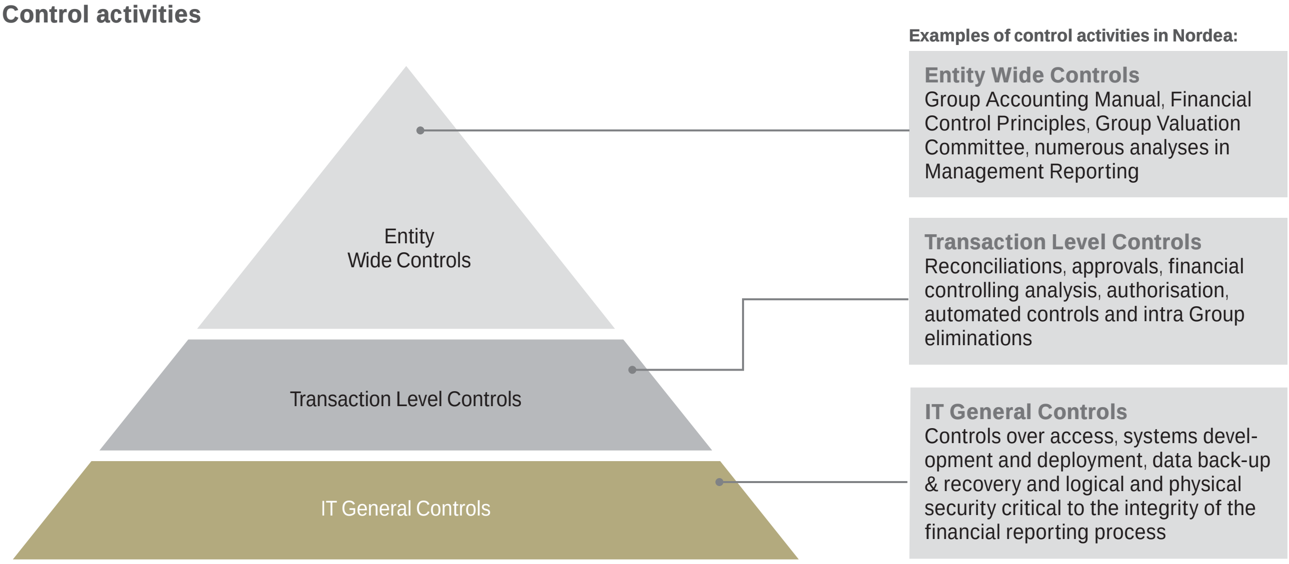
Risk Assessment

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

Control Activities

The heads of the respective units are primarily responsible for managing the risks, associated with the units' operations and financial reporting processes. This responsibility 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

Control activities



and the four-eyes principle when approving, for instance, transactions and authorisations.

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

Information & Communication

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

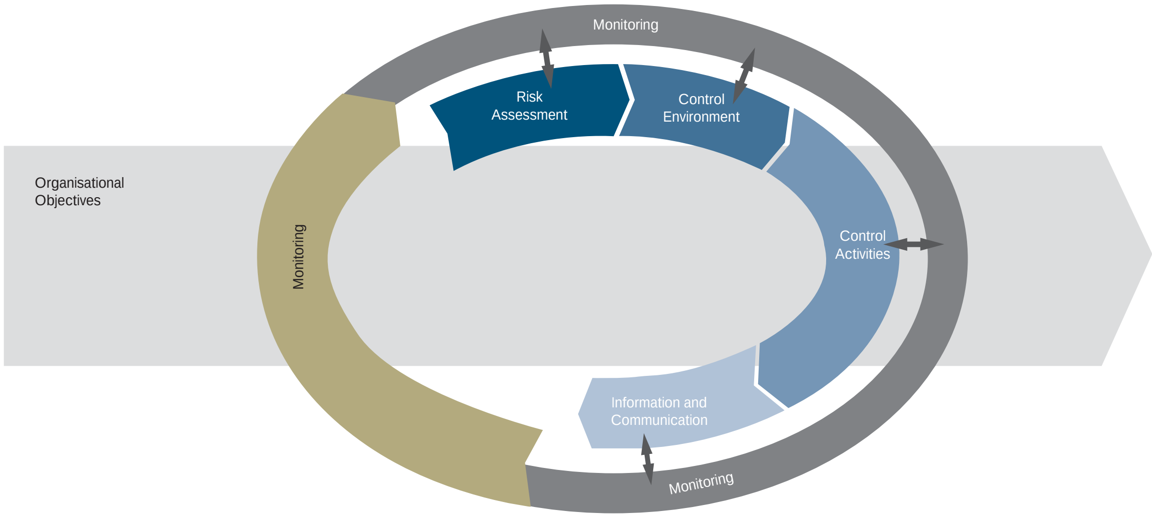
Matters having impact on the fulfilment of financial reporting objectives are communicated with external parties, with Nordea actively participating in relevant national forums, for example forums established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

Monitoring

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

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

The Board of Directors, the Board Audit Committee, the Board Risk Committee and Group Internal Audit have important roles with respect to monitoring the internal control of financial reporting at Nordea. For further information, see "The work of the Board of Directors (3)", "Board Audit Committee (4)", "Board Risk Committee (5)" and "Group Internal Audit (8)" above.



Remuneration

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

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

The Nordea Remuneration Policy will

- Support Nordea's ability to recruit, develop and retain highly motivated, competent and performance-oriented employees and hence the People strategy.
- Supplement excellent leadership and challenging tasks as driving forces for creating high commitment among employees and a Great Nordea.
- Ensure that compensation at Nordea is aligned with efficient risk management and the Nordea values: Great customer experiences, It's all about people and One Nordea team.

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

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

Nordea remuneration components – purpose and eligibility

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

Profit Sharing aims to stimulate value creation for customers and shareholders and is offered to all employees. The performance criteria for the 2013 programme reflect Nordea's long-term targets: Return On Equity (ROE) and Customer Satisfaction.

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 2013 are Nordea's internal version of ROE being Risk-Adjusted Return On Capital At Risk (RAROCAR), Operating Profit and Customer Satisfaction Index (CSI).

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

Risk analysis

Nordea's remuneration components are evaluated annually to ensure compliance with both international and local remuneration guidelines. In addition to the evaluation of Nordea's remuneration components, the risk analysis addressing issues arising with respect to Nordea's Remuneration Policy was updated in March 2013. Key factors addressed include risks related to the governance and structure of the remuneration schemes, target-setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially lead to total compensation that could be considered high.

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

Performance-related compensation for 2013 for employees in the risk analysis defined as Identified Staff will be partially deferred in 2014 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 20 March 2014.

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

Remuneration for the Board of Directors
The AGM annually decides on remuneration for the Board of Directors. Further information is found in Note G7 on page 115.

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", page 66.

The external auditors presented a report to the AGM 2013 stating that, in 2012, the Board of Directors and the CEO complied with the guidelines for remuneration for executive officers as adopted by the AGM 2010, 2011 and 2012.

Further information about remuneration is found in Note G7 on page 115.

Approved guidelines for remuneration for executive officers for 2013

The AGM 2013 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 according to Nordea's short and long term targets.

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

Remuneration to executive officers will be decided by the Board of Directors in accordance with Nordea's internal policies and procedures, which are based on the Swedish Financial Supervisory Authority's ("SFSA") regulations on remuneration systems, EU's directive on capital requirements for banks as well as international sound compensation practices.

Salaries and other remuneration in line with market levels is the overriding principle for compensation to executive officers within Nordea. Compensation to the executive officers shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long term interests.

Annual remuneration consists of fixed salary and variable salary.

The executive officers have up to 2012 been offered a short term variable salary part ("VSP") and a Long Term Incentive Programme ("LTIP"). In order to reduce the complexity of having both VSP and LTIP the executive officers will be offered an Executive Incentive Programme 2013 ("GEM EIP 2013") to reward performance meeting 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 outcome from GEM EIP 2013 shall 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 2013 has a one year performance period and the outcome shall not exceed the fixed salary.

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.

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

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

Proposal for guidelines for remuneration for executive officers for 2014

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

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

Remuneration for executive officers will be decided by the Board of Directors in accordance with Nordea's internal policies and procedures, which are based on the Swedish Financial Supervisory Authority's ("SFSA") regulations on remuneration systems, national implementation of the EU's directive on capital requirements for banks as well as international sound compensation practices.

Salaries and other remuneration in line with market levels constitute the overriding principle for compensation for executive officers at Nordea. Compensation for the executive officers shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long term interests.

Annual remuneration consists of fixed salary and variable salary.

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

In accordance with SFSA's remuneration regulations guaranteed variable salary is to be exceptional and may only occur in the context of hiring a new executive officer and then be limited to the first year of employment.

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

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

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

Deviations from approved guidelines 2013:
There have been no deviations from the approved guidelines 2013.

Cost of variable remuneration for executive officers (excluding social cost):
2013
The actual cost for GEM EIP 2013 is EUR 3.6m to be paid over a five-year period.
2014
The estimated maximum cost for GEM EIP 2014 is EUR 5.7m and the estimated cost assuming 60% fulfilment of the performance criteria is EUR 3.4m.

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 2013, a total of EUR 45m was provided for under Nordea's Profit Sharing scheme for all employees. For 2013, each employee can receive a maximum of EUR 3,200, of which EUR 2,600 is based on a pre-determined level of Return On Equity and EUR 600 is based on the level of customer satisfaction. If all performance criteria were met, the cost of the scheme would have amounted to a maximum of approx. EUR 100m.

Variable Salary Part (VSP)

VSP may be offered to selected managers and specialists to reward strong performance and 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, with the CEO's approval required for bonuses exceeding a predetermined level.

Executive Incentive Programme

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

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 2014 is paid no earlier than October 2018.

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.

Long-Term Incentive Programmes

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

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

Proposed distribution of earnings

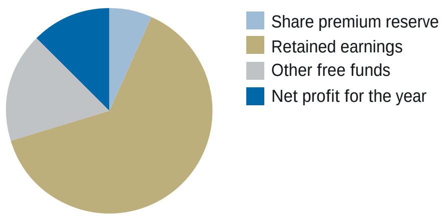
According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

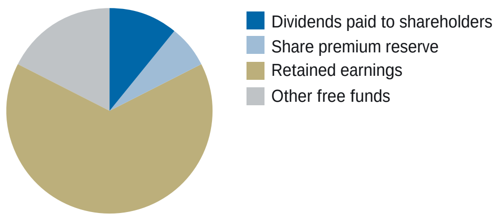
	EUR
Share premium reserve	1,079,925,521
Retained earnings	10,074,553,044
Other free funds	2,762,284,828
Net profit for the year	1,954,512,205
Total	**15,871,275,598**

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

	EUR
Dividends paid to shareholders, EUR 0.43 per share	1,733,603,282
To be carried forward to	
– share premium reserve	1,079,925,521
– retained earnings	10,295,461,967
– other free funds	2,762,284,828
Total	**15,871,275,598**

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.





Financial statements, Group – Contents

Income statement, Group

EURm	Note	2013	2012
Operating income			
Interest income		10,604	11,939
Interest expense		–5,079	–6,376
Net interest income	G3	**5,525**	**5,563**
Fee and commission income		3,574	3,258
Fee and commission expense		–932	–790
Net fee and commission income	G4	**2,642**	**2,468**
Net result from items at fair value	G5	1,539	1,774
Profit from associated undertakings accounted for under the equity method	G19	79	93
Other operating income	G6	106	100
Total operating income		**9,891**	**9,998**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–2,978	–2,989
Other expenses	G8	–1,835	–1,808
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9, G20, G21	–227	–267
Total operating expenses		**–5,040**	**–5,064**
Profit before loan losses		**4,851**	**4,934**
Net loan losses	G10	–735	–895
Operating profit		**4,116**	**4,039**
Income tax expense	G11	–1,009	–970
Net profit for the year from continuing operations		**3,107**	**3,069**
Net profit for the year from discontinued operations, after tax	G44	9	57
Net profit for the year		**3,116**	**3,126**
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,116	3,119
Non-controlling interests		—	7
Total		**3,116**	**3,126**
Basic earnings per share, EUR – Total operations	G12	0.77	0.78
Diluted earnings per share, EUR – Total operations	G12	0.77	0.78
Basic earnings per share, EUR – Continuing operations	G12	0.77	0.77
Diluted earnings per share, EUR – Continuing operations	G12	0.77	0.77

Statement of comprehensive income, Group

EURm	2013	2012
Net profit for the year	**3,116**	**3,126**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–999	409
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	464	–254
Tax on valuation gains/losses during the year	–102	45
Available for sale investments[1]:		
Valuation gains/losses during the year	25	67
Tax on valuation gains/losses during the year	–5	–17
Transferred to the income statement during the year	6	—
Tax on transfers to the income statement during the year	–1	—
Cash flow hedges:		
Valuation gains/losses during the year	497	133
Tax on valuation gains/losses during the year	–111	–35
Transferred to the income statement during the year	–499	–321
Tax on transfers to the income statement during the year	110	85
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	155	362
Tax on remeasurement of defined benefit plans during the year	–39	–87
Other comprehensive income, net of tax[2]	**–499**	**387**
Total comprehensive income	**2,617**	**3,513**
Attributable to:		
Shareholders of Nordea Bank AB (publ)	2,617	3,506
Non-controlling interests	—	7
Total	**2,617**	**3,513**

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.
2) Of which EUR –22m (EUR 29m) related to discontinued operations.

Balance sheet, Group

EURm	Note	31 Dec 2013	31 Dec 2012	1 Jan 2012
Assets				
Cash and balances with central banks		33,529	36,060	3,765
Loans to central banks	G13	11,769	8,005	40,615
Loans to credit institutions	G13	10,743	10,569	11,250
Loans to the public	G13	342,451	346,251	337,203
Interest-bearing securities	G14	87,314	86,626	84,550
Financial instruments pledged as collateral	G15	9,575	7,970	8,373
Shares	G16	33,271	28,128	20,167
Derivatives	G17	70,992	118,789	171,943
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	203	–711	–215
Investments in associated undertakings	G19	630	585	591
Intangible assets	G20	3,246	3,425	3,321
Property and equipment	G21, G22	431	474	469
Investment property	G23	3,524	3,408	3,644
Deferred tax assets	G11	62	266	250
Current tax assets		31	78	185
Retirement benefit assets	G33	321	142	107
Other assets	G24	11,064	15,554	12,210
Prepaid expenses and accrued income	G25	2,383	2,559	2,703
Assets held for sale	G44	8,895	—	—
Total assets		**630,434**	**668,178**	**701,131**
Liabilities				
Deposits by credit institutions	G26	59,090	55,426	55,316
Deposits and borrowings from the public	G27	200,743	200,678	190,092
Liabilities to policyholders	G28	47,226	45,320	40,715
Debt securities in issue	G29	185,602	183,908	178,028
Derivatives	G17	65,924	114,203	167,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	1,734	1,940	1,274
Current tax liabilities		303	391	154
Other liabilities	G30	24,737	24,773	30,252
Accrued expenses and prepaid income	G31	3,677	3,903	3,496
Deferred tax liabilities	G11	935	976	944
Provisions	G32	177	389	483
Retirement benefit liabilities	G33	334	469	839
Subordinated liabilities	G34	6,545	7,797	6,503
Liabilities held for sale	G44	4,198	—	—
Total liabilities		**601,225**	**640,173**	**675,486**
Equity				
Non-controlling interests		2	5	86
Share capital		4,050	4,050	4,047
Share premium reserve		1,080	1,080	1,080
Other reserves		–159	340	–47
Retained earnings		24,236	22,530	20,479
Total equity		**29,209**	**28,005**	**25,645**
Total liabilities and equity		**630,434**	**668,178**	**701,131**
Assets pledged as security for own liabilities	G35	174,418	159,924	149,287
Other assets pledged	G36	7,467	10,344	8,740
Contingent liabilities	G37	20,870	21,157	24,468
Credit commitments	G38	78,332	84,914	85,319
Other commitments	G38	1,267	1,294	1,651

Statement of changes in equity, Group

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

1) Total shares registered were 4,050 million.
2) Restricted capital was EUR 4,050m, unrestricted capital was EUR 25,157m.
3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 31.8 million. The total holdings of own shares related to LTIP is 18.3 million.

	Attributable to shareholders of Nordea Bank AB (publ)[2]									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2012	**4,047**	**1,080**	**–176**	**123**	**6**	**—**	**20,954**	**26,034**	**86**	**26,120**
Restatement due to changed accounting policy[5]	—	—	—	—	—	—	–475	–475	—	–475
Restated opening balance at 1 Jan 2012	**4,047**	**1,080**	**–176**	**123**	**6**	**—**	**20,479**	**25,559**	**86**	**25,645**
Net profit for the year	—	—	—	—	—	—	3,119	3,119	7	3,126
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	—	—	409	—	—	—	—	409	—	409
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	—	—	–254	—	—	—	—	–254	—	–254
Tax on valuation gains/ losses during the year	—	—	45	—	—	—	—	45	—	45
Available for sale investments:										
Valuation gains/losses during the year	—	—	—	—	67	—	—	67	—	67
Tax on valuation gains/ losses during the year	—	—	—	—	–17	—	—	–17	—	–17
Cash flow hedges:										
Valuation gains/losses during the year	—	—	—	133	—	—	—	133	—	133
Tax on valuation gains/ losses during the year	—	—	—	–35	—	—	—	–35	—	–35
Transferred to the income statement during the year	—	—	—	–321	—	—	—	–321	—	–321
Tax on transfers to the income statement during the year	—	—	—	85	—	—	—	85	—	85
Items that may not be reclassified subsequently to the income statement										
Defind benefit plans:										
Remeasurement of defined benefit plans during the year	—	—	—	—	—	362	—	362	—	362
Tax on remeasurement of defined benefit plans during the year	—	—	—	—	—	–87	—	–87	—	–87
Other comprehensive income, net of tax	—	—	200	–138	50	275	—	387	—	387
Total comprehensive income	—	—	200	–138	50	275	3,119	3,506	7	3,513
Issued C-shares[3]	3	—	—	—	—	—	—	3	—	3
Repurchase of C-shares[3]	—	—	—	—	—	—	–3	–3	—	–3
Share-based payments	—	—	—	—	—	—	14	14	—	14
Dividend for 2011	—	—	—	—	—	—	–1,048	–1,048	—	–1,048
Purchases of own shares[4]	—	—	—	—	—	—	–31	–31	—	–31
Change in non-controlling interests	—	—	—	—	—	—	—	—	–84	–84
Other changes	—	—	—	—	—	—	—	—	–4	–4
Balance at 31 Dec 2012	**4,050**	**1,080**	**24**	**–15**	**56**	**275**	**22,530**	**28,000**	**5**	**28,005**

1) Total shares registered were 4,050 million.
2) Restricted capital was EUR 4,050m, unrestricted capital was EUR 23,950m.
3) Refers to the Long Term Incentive Programme (LTIP). LTIP 2012 was hedged by issuing 2,679,168 C-shares. The shares have been bought back and converted to ordinary shares. The total holding of own shares related to LTIP is 20.3 million.
4) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 26.9 million.
5) Related to the amended IAS 19. See Note G1 for more information.

Dividends per share

See Statement of changes in equity for the parent company, page 176.

Cash flow statement, Group – Total operations

EURm	2013	2012
Operating activities		
Operating profit	4,116	4,039
Profit for the year from discontinued operations, after tax	9	57
Adjustment for items not included in cash flow	4,492	3,199
Income taxes paid	–1,010	–662
Cash flow from operating activities before changes in operating assets and liabilities	**7,607**	**6,633**
Changes in operating assets		
Change in loans to central banks	–530	21,301
Change in loans to credit institutions	289	–135
Change in loans to the public	–14,511	–2,988
Change in interest-bearing securities	–5,045	–2,968
Change in financial assets pledged as collateral	–1,648	437
Change in shares	–5,918	–8,094
Change in derivatives, net	–2,234	3,017
Change in investment properties	–78	236
Change in other assets	4,351	2,982
Changes in operating liabilities		
Change in deposits by credit institutions	6,564	–19
Change in deposits and borrowings from the public	9,205	7,000
Change in liabilities to policyholders	–57	1,089
Change in debt securities in issue	6,585	1,665
Change in other liabilities	1,735	–10,402
Cash flow from operating activities	**6,315**	**19,754**
Investing activities		
Acquisition of associated undertakings	–8	–6
Sale of associated undertakings	4	3
Acquisition of property and equipment	–153	–141
Sale of property and equipment	33	27
Acquisition of intangible assets	–229	–177
Sale of intangible assets	1	2
Net investments in debt securities, held to maturity	930	1,047
Purchase/sale of other financial fixed assets	–6	19
Cash flow from investing activities	**572**	**774**
Financing activities		
Issued subordinated liabilities	—	1,530
Amortised subordinated liabilities	–500	–624
New share issue	—	3
Repurchase of own shares including change in trading portfolio	–57	–31
Dividend paid	–1,370	–1,048
Cash flow from financing activities	**–1,927**	**–170**
Cash flow for the year	**4,960**	**20,358**
Cash and cash equivalents at the beginning of year	42,808	22,606
Translation difference	–2,098	–156
Cash and cash equivalents at the end of year	45,670	42,808
Change	**4,960**	**20,358**

Comments on the cash flow statement

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

Operating activities

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

EURm	2013	2012
Depreciation	220	240
Impairment charges	17	38
Loan losses	837	1,011
Unrealised gains/losses	2,180	–2,749
Capital gains/losses (net)	–18	–10
Change in accruals and provisions	55	354
Translation differences	407	–366
Change in bonus potential to policyholders, Life	1,046	582
Change in technical reserves, Life	1,543	2,935
Change in fair value of hedged items, assets/liabilities (net)	–1,608	1,267
Income tax expense, discontinued operations	4	21
Other	–191	–124
Total	**4,492**	**3,199**

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	2013	2012
Interest payments received	11,031	12,553
Interest expenses paid	5,360	6,437

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 2013	31 Dec 2012
Cash and balances with central banks	33,529	36,060
Loans to central banks, payable on demand	9,313	5,938
Loans to credit institutions, payable on demand	2,290	810
Assets held for sale	538	—
Total	**45,670**	**42,808**

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

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

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities. Loans to central banks, payable on demand includes instruments where Nordea has the right to resell immediately.

Discontinued operations

The cash flow statements include cash flow attributable to total operations i.e. both continuing and discontinued operations. The discontinued operations consist of Nordea´s Polish operations, for more information see Note G1 and Note G44. The cash flows related to the discontinued operations consist of net cash flows from operating activities of EUR –15m (EUR 25m), net cash flow from investing activities of EUR –11m (EUR –8m) and net cash flows from financing activities of EUR 0m (EUR 0m).

Quarterly development, Group

EURm	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2013	2012
Net interest income	1,390	1,386	1,391	1,358	1,382	1,393	1,415	1,373	5,525	5,563
Net fee and commission income	703	652	664	623	682	595	603	588	2,642	2,468
Net result from items at fair value	333	346	416	444	442	377	492	463	1,539	1,774
Profit from associated undertakings accounted for under the equity method	21	14	9	35	33	23	14	23	79	93
Other income	22	28	10	46	31	24	22	23	106	100
Total operating income	**2,469**	**2,426**	**2,490**	**2,506**	**2,570**	**2,412**	**2,546**	**2,470**	**9,891**	**9,998**
General administrative expenses:										
Staff costs	–739	–732	–753	–754	–749	–738	–746	–756	–2,978	–2,989
Other expenses	–480	–441	–453	–461	–458	–457	–452	–441	–1,835	–1,808
Depreciation, amortisation and impairment charges of tangible and intangible assets	–64	–61	–50	–52	–88	–71	–61	–47	–227	–267
Total operating expenses	**–1,283**	**–1,234**	**–1,256**	**–1,267**	**–1,295**	**–1,266**	**–1,259**	**–1,244**	**–5,040**	**–5,064**
Profit before loan losses	**1,186**	**1,192**	**1,234**	**1,239**	**1,275**	**1,146**	**1,287**	**1,226**	**4,851**	**4,934**
Net loan losses	–180	–171	–186	–198	–241	–236	–203	–215	–735	–895
Operating profit	**1,006**	**1,021**	**1,048**	**1,041**	**1,034**	**910**	**1,084**	**1,011**	**4,116**	**4,039**
Income tax expense	–246	–257	–248	–258	–215	–226	–276	–253	–1,009	–970
Net profit for the period from continuing operations	**760**	**764**	**800**	**783**	**819**	**684**	**808**	**758**	**3,107**	**3,069**
Net profit for the period from discontinued operations, after tax	13	12	–29	13	23	4	13	17	9	57
Net profit for the period	**773**	**776**	**771**	**796**	**842**	**688**	**821**	**775**	**3,116**	**3,126**
Diluted earnings per share (DEPS), EUR – Total operations	0.19	0.19	0.19	0.20	0.21	0.17	0.21	0.19	0.77	0.78
DEPS, rolling 12 months up to period end, EUR – Total operations	0.77	0.79	0.77	0.79	0.78	0.76	0.69	0.66	0.77	0.78

5 year overview, Group

Income statement[1]

EURm	2013	2012	2011	2010	2009
Net interest income	5,525	5,563	5,456	5,159	5,281
Net fee and commission income	2,642	2,468	2,395	2,156	1,693
Net result from items at fair value	1,539	1,774	1,517	1,837	1,946
Profit from associated undertakings accounted for under the equity method	79	93	42	66	48
Other income	106	100	91	116	105
Total operating income	**9,891**	**9,998**	**9,501**	**9,334**	**9,073**
General administrative expenses:					
Staff costs	–2,978	–2,989	–3,113	–2,784	–2,724
Other expenses	–1,835	–1,808	–1,914	–1,862	–1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	–227	–267	–192	–170	–149
Total operating expenses	**–5,040**	**–5,064**	**–5,219**	**–4,816**	**–4,512**
Profit before loan losses	**4,851**	**4,934**	**4,282**	**4,518**	**4,561**
Net loan losses	–735	–895	–735	–879	–1,486
Operating profit	**4,116**	**4,039**	**3,547**	**3,639**	**3,075**
Income tax expense	–1,009	–970	–913	–976	–757
Net profit for the year from continuing operations	**3,107**	**3,069**	**2,634**	**2,663**	**2,318**
Net profit for the year from discontinued operations, after tax	9	57	—	—	—
Net profit for the year	**3,116**	**3,126**	**2,634**	**2,663**	**2,318**

Balance sheet[2]

EURm	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Cash and balances with central banks	33,529	36,060	3,765	10,023	11,500
Loans to central banks and credit institutions	22,512	18,574	51,865	15,788	18,555
Loans to the public	342,451	346,251	337,203	314,211	282,411
Interest-bearing securities and pledged instruments	96,889	94,596	92,923	91,743	80,339
Derivatives	70,992	118,789	171,943	96,825	75,422
Other assets	55,166	53,908	43,432	52,249	39,317
Assets held for sale	8,895	—	—	—	—
Total assets	**630,434**	**668,178**	**701,131**	**580,839**	**507,544**
Deposits by credit institutions	59,090	55,426	55,316	40,736	52,190
Deposits and borrowings from the public	200,743	200,678	190,092	176,390	153,577
Liabilities to policyholders	47,226	45,320	40,715	38,766	33,831
Debt securities in issue	185,602	183,908	178,028	151,578	130,519
Derivatives	65,924	114,203	167,390	95,887	73,043
Subordinated liabilities	6,545	7,797	6,503	7,761	7,185
Other liabilities	31,897	32,841	37,442	45,183	34,779
Liabilities held for sale	4,198	—	—	—	—
Equity	29,209	28,005	25,645	24,538	22,420
Total liabilities and equity	**630,434**	**668,178**	**701,131**	**580,839**	**507,544**

1) The comparative figures for 2012 (but not for 2009–2011) have been restated due to discontinued operations (Nordea's Polish operations), see Note G44 for more information.
2) The comparative figures for 2012 and for 2011 (but not for 2009–2010) have been restated due to the amendments to IAS 19 and forward starting bonds, see Note G1 for more information.

Ratios and key figures, Group

	2013	2012[2,3]	2011[2,3]	2010[2,3]	2009[2,3]
Basic earnings per share, EUR – Total operations	0.77	0.78	0.65	0.66	0.60
Diluted earnings per share, EUR – Total operations	0.77	0.78	0.65	0.66	0.60
Share price[1], EUR	9.78	7.24	5.98	8.16	7.10
Total shareholders' return, %	44.6	21.0	–24.4	3.7	78.6
Proposed/actual dividend per share, EUR	0.43	0.34	0.26	0.29	0.25
Equity per share[1], EUR	7.27	6.96	6.47	6.07	5.56
Potential shares outstanding[1], million	4,050	4,050	4,047	4,043	4,037
Weighted average number of diluted shares, million	4,020	4,026	4,028	4,022	3,846
Return on equity, % – Continuing operations	11.0	11.6	10.6	11.5	11.3
Assets under management[1], EURbn	233.3	218.3	187.4	191.0	158.1
Cost/income ratio, % – Continuing operations	51	51	55	52	50
Loan loss ratio, basis points	21	26	23	31	56
Core tier 1 capital ratio, excluding transition rules[1], %	14.9	13.1	11.2	10.3	10.3
Tier 1 capital ratio, excluding transition rules[1], %	15.7	14.3	12.2	11.4	11.4
Total capital ratio, excluding transition rules[1], %	18.1	16.2	13.4	13.4	13.4
Core tier 1 capital ratio[1], %	11.0	10.2	9.2	8.9	9.3
Tier 1 capital ratio[1], %	11.7	11.2	10.1	9.8	10.2
Total capital ratio[1], %	13.4	12.7	11.1	11.5	11.9
Core tier 1 capital[1], EURm	23,112	21,961	20,677	19,103	17,766
Tier 1 capital[1], EURm	24,444	23,953	22,641	21,049	19,577
Risk-weighted assets, including transition rules[1], EURbn	209	215	224	215	192
Number of employees (full-time equivalents)[1] – Continuing operations	29,429	29,491	33,068	33,809	33,347
Risk-adjusted profit, EURm – Continuing operations	3,351	3,313	2,714	2,622	2,786
Economic profit, EURm – Continuing operations	1,080	889	1,145	936	1,334
Economic capital[1], EURbn – Total operations	22.8	23.8	17.7	17.5	16.7
Economic capital[1], EURbn – Continuing operations	21.9	22.8	—	—	—
EPS, risk-adjusted, EUR – Continuing operations	0.77	0.77	0.67	0.65	0.72
RAROCAR, % – Continuing operations	14.8	13.9	15.5	15.0	17.3
MCEV, EURm	4,700	3,762	2,714	3,655	3,244

1) End of the year.
2) 2012 (but not 2009-2011) restated due to discontinued operations (Nordea's Polish operations), see Note G1 for more information.
3) The comparative figures for 2012 and for 2011 (but not for 2009–2010) have been restated due to the amendments to IAS 19, see Note G1 for more information.

Business definitions

These definitions apply to the descriptions in the Annual Report.

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

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

Capital base Capital base includes the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the carrying amount of the shares in wholly owned insurance companies and the potential deduction for expected shortfall.

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

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

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

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

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

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

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

Equity per share Equity as shown 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).

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.

Risk-adjusted profit Total income minus total operating expenses, minus Expected losses and standard tax (24 % 2013). In addition, Risk-adjusted profit excludes major non-recurring items.

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

Tier 1 capital Proportion of the capital base, which includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations and half of the expected shortfall deduction, – the negative difference between expected losses and provisions. Subsequent to the approval of the supervisory authorities, Tier 1 capital also includes qualified forms of subordinated loans (Tier 1 capital contributions and hybrid capital loans).

The Core tier 1 capital constitutes the Tier 1 capital excluding hybrid capital loans.

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

Total allowance rate Total allowances divided by total loans before allowances.

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

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

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

G1 Accounting policies

Content for Note G1

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of such standards by the International Financial Reporting Standards Interpretations Committee (IFRS IC), as endorsed by the EU Commission. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the recommendation RFR 1 "Supplementary Accounting Rules for Groups" and UFR statements issued by the Swedish Financial Reporting Board as well as the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25, with amendments in FFFS 2009:11, 2011:54, and 2013:2) have also been applied.

The disclosures, required in the standards, recommendations and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the "Financial statements".

On 5 February 2014 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 20 March 2014.

2. Changed accounting policies and presentation

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

The new standard IFRS 13 "Fair Value Measurement" was implemented 1 January 2013 but has not had any significant impact on the measurement of assets and liabilities in Nordea. IFRS 13 clarifies how to measure fair value but does not change the requirements regarding which items should be measured at fair value. In addition IFRS 13 requires additional disclosures about fair value measurements. The additional disclosures required by IFRS 13 are presented in Note G42 "Assets and liabilities at fair value ".

IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures" have been amended as regards offsetting of financial assets and financial liabilities. Nordea implemented these changes in 2013 (IAS 32 early adopted). The amendments intend to clarify the criteria for offsetting and to add disclosures. Nordea's principles for offsetting are already in accordance with the clarified requirements and therefore there was no impact from the amendments in IAS 32. The additional disclosures required by IFRS 7 are presented in Note G43 "Financial instruments set off on balance or subject to netting agreements".

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

IAS 19 "Employee Benefits"

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

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

The comparative figures on the balance sheet have been restated accordingly and are disclosed in the below table. The impact on the comparative figures in the income statement was not significant and the income statement has therefore not been restated. The impact on the income statement 2013 was not significant.

G1 Accounting policies

EURm	31 Dec 2012 New policy	31 Dec 2012 Old policy	1 Jan 2012 New policy	1 Jan 2012 Old policy
Net retirement benefit obligations	327	47	732	102
Net deferred tax liabilities	710	779	694	849
Other reserves[1]	340	76	-47	-47
Retained earnings	22,530	23,005	20,479	20,954

1) Impact through "Other comprehensive income". The direct impact from defined benefit plans was EUR 275m at 31 December 2012, which is slightly offset by FX translation differences of EUR 11m arising during the year.

At transition 1 January 2013 the negative impact on equity was EUR 211m, after special wage tax and income tax (EUR 280m before income tax) and the core tier 1 capital was reduced by EUR 258m, including the impact from changes in deferred tax assets.

The Swedish Financial Reporting Board has furthermore withdrawn UFR 4 "Accounting for special wage tax and yield tax" and published UFR 9 "Accounting for yield tax". Nordea has applied UFR 9 instead of UFR 4 as from 1 January 2013. The treatment of yield tax in UFR 9 is the same as in UFR 4. Regarding the special wage tax, the withdrawal of UFR 4 and the implementation of IAS 19 have not had any significant impact on Nordea's financial statement or on the capital adequacy.

The amended IAS 19 also requires additional disclosures which are presented in Note G33 "Retirement benefit obligations", where also more information on the different defined benefit pension plans can be found.

Discontinued operations and disposal groups held for sale

Discontinued operations consist of Nordea's Polish operations as further described in Note G44 "Discontinued operations and disposal groups held for sale". These operations have been classified as discontinued operations as they represent a major line of business and geographical area and as the carrying amount will be recovered through a sale transaction. The net result from discontinued operations, including the net result for the year recognised on the measurement at fair value less costs to sell, is presented as a single amount after net profit for the period from continuing operations. Comparative figures are restated.

Assets and liabilities related to the disposal group are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" respectively as from the classification date. Comparative figures are not restated.

Forward starting bonds

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

EURm	31 Dec 2012 New policy	31 Dec 2012 Old policy	1 Jan 2012 New policy	1 Jan 2012 Old policy
Interest-bearing securities	86,626	94,939	84,550	92,373
Other assets	15,554	16,372	12,210	19,425
Debt securities in issue	183,908	184,340	178,028	179,950
Other liabilities	24,773	33,472	30,252	43,368

3. Changes in IFRSs not yet applied by Nordea

IFRS 9 "Financial instruments" (Phase 1)

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

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

IFRS 9 "Financial Instruments" (Phase 3)

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

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

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in Other Entities", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"

The IASB has published three new standards relating to consolidation, IFRS 10, IFRS 11 and IFRS 12, as well as amended IAS 27 and IAS 28. The effective date for these standards and amendments is as from 1 January 2013, but earlier application is permitted. The EU commission endorsed these standards and amendments during 2012.

G1 Accounting policies

In contrast to IFRS, the EU commission requires the standards to be applied for annual periods beginning on or after 1 January 2014. Nordea will apply these standards as from 1 January 2014.

Nordea's assessment is that IFRS 10 "Consolidated Financial Statements" will not have any significant impact on Nordea's income statement or balance sheet at transition. In future periods Nordea may have to consolidate some mutual funds, which can have an impact on the balance sheet and on equity if those entities hold Nordea shares that will have to be eliminated in the Nordea Group. It is not expected that mutual funds will be consolidated for capital adequacy purposes and there would consequently not be any impact on the capital adequacy or large exposures.

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

Annual improvements to IFRS

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

IFRIC 21 "Levies"

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

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

4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

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

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G42 "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 217,626m (EUR 246,986m) and EUR 153,315m (EUR 185,506m) respectively at the end of the year.

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Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G42 "Assets and liabilities at fair value".

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

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 2,421m (EUR 2,656m) at the end of the year.

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

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

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

Impairment testing of loans to the public/credit institutions

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

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea's total lending before impairment allowances was EUR 367,782m (EUR 367,673m) 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 are also subject to estimation uncertainty. The fixing of these parameters at year-end is disclosed in Note G33 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions.

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. Other 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 and the assumption sensitivities to the carrying amount are disclosed in Note G28 "Liabilities to policyholders".

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

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on current cash flows, market interest rates and current yield requirements.

The carrying amounts of investment property were EUR 3,524m (EUR 3,408m) at the end of the year. See Note G23 "Investment property" for more information on amounts and parameters used in these models.

Classification of leases
Nordea's accounting policies for leases are described in section 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 agreement was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefit from appreciation in value of the leased property. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement. 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 G22 "Leasing".

Translation of assets and liabilities denominated in foreign currencies
Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 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 62m (EUR 266m) 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 G32 "Provisions" and Note G37 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities
The consolidated financial statements include the accounts of the parent company Nordea Bank AB (publ), and those entities that the parent company controls. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights or otherwise has the power to govern the financial and operating policies of the entity.

All Group undertakings are consolidated using the 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.

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

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

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

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

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

Nordea does not consolidate SPEs' assets and liabilities beyond its control. In order to determine whether Nordea controls a SPE or not, Nordea has to make judgements about risks and rewards and assess the ability to make operational decisions for the SPE in question. When assessing whether Nordea shall consolidate a SPE, a range of factors are evaluated. These factors include whether the activities of the SPE are being in substance conducted on Nordea's behalf or if Nordea has in substance the decision making powers, the rights to obtain the majority of the benefits or the majority of the residual- or ownership risks. Nordea consolidates all SPEs, where Nordea has retained the majority of the risks and rewards. For the SPEs that are not consolidated the rationale is that Nordea does not have significant risks or rewards in connection to these assets and liabilities.

Nordea has created a number of SPEs to allow clients to invest in assets invested in by the SPEs. Some SPEs invest in tradable financial instruments, such as shares and bonds (mutual funds). Other SPEs invest in structured credit products or acquire assets from customers of Nordea. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions. Typically, Nordea will receive service and commission fees in connection to the creation of the SPEs, or because it acts as investment manager, custodian or in some other function. This in itself does not constitute a beneficial interest triggering consolidation. In some SPEs Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these SPEs Nordea has a beneficial interest and retains the majority of the risks and rewards, which is why these SPEs are consolidated. Note P21 "Investments in group undertakings" lists the major group undertakings in the Nordea Group, including consolidated SPEs.

Currency translation of foreign entities
The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank AB (publ). The current method is used when translating the financial statements of foreign entities into EUR from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statement and statement of comprehensive income are translated at the average exchange rate for the year. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

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

Information on the most important exchange rates is disclosed in the separate section 27 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income
Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the contractual future cash flows to the carrying amount of the financial asset or financial liability.

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

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

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

Net fee and commission income
Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are

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

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

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

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

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

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

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

"Net result from items at fair value" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. 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 G42 "Assets and liabilities at fair value") are reported under "Net loan losses". Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment of securities held as financial non-current assets" (see also the sub-sections "Net loan losses" and "Impairment of securities held as financial non-current assets" below).

Dividends received are recognised in the income statement as "Net result from items at fair value" and classified as "Shares/participations and other share-related instruments" in the note. Income is recognised in the period in which the right to receive payment is established.

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in the associated undertakings. Nordea's share of items accounted for in other comprehensive income in the associated undertakings is accounted for in other comprehensive income in Nordea. Profits from companies accounted for under the equity method are, as stated in section 5 "Principles of consolidation", reported in the income statement post-taxes. Consequently the tax expense related to these profits is excluded from the income tax expense for Nordea.

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

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

Other operating income

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

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses" together with losses from financial guarantees (including

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state guarantees in Denmark). Also the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G42 "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 apart from loans held at fair value as described above, as well as impairment on financial assets classified into the category Available for sale are reported under "Net result from items at fair value".

Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders".

The total income from life insurance mainly consists of the following components:

- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income", together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life" within Note G5 "Net result from items at fair value".

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as Health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life" and "Insurance risk expense, Life" in Note G5 "Net result from items at fair value". The policyholder's part of the result is included in the line "Change in technical provisions, Life" in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 "Net result from items at fair value" as for any other 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" in Note G5 "Net result from items at fair value" includes:

- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results, can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

The note line "Change in collective bonus potential, Life" in Note G5 "Net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

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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 13 "Financial instruments", as well as Note G45 "Transferred assets and obtained collaterals".

9. Translation of assets and liabilities denominated in foreign currencies
The functional currency of each entity is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies, SEK and EUR for reporting in consolidated accounts, based on the different activities in the underlying business.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

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

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

There are three forms of hedge accounting:
- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

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.

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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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- 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 G42 "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 G42 "Assets and liabilities at fair value".

12. Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with central banks where the following conditions are fulfilled:
- The central bank is domiciled in a country where Nordea is operating under a banking licence
- The balance is readily available at any time

Cash and cash equivalents are financial instruments classified into the category Loans and receivables, see section 13 "Financial instruments".

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

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 G41 "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.

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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) are held at fair value and to avoid an accounting mismatch also the related assets are held at fair value. This is valid also for insurance contracts (defined in section 19 "Liabilities to policyholders") where the assets are generally held at fair value to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at fair value.

Nordea also applies the fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/Financial liabilities at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 "Loans to the public/credit institutions".

Held to maturity

Financial assets that Nordea has chosen to classify into the category Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held to maturity are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

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

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 14 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

Available for sale

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

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

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

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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".

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.

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 G41 "Classification of financial instruments").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets taken over for protection of claims
In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for

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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 property and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated on the basis of Nordea's depreciation policy for similar assets and reported as "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities 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 property. In addition, the lease term is not for the major part of the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea's economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

16. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT-development/computer software and customer related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking at the date of acquisition. Goodwill on acquisition of group undertakings is included in "Intangible assets". Goodwill on acquisitions of associates is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually

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for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertakings. The policies covering impairment testing of associated undertakings is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software

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

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

Customer related intangible assets

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

Impairment

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

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

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

17. Property and equipment

Property and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprise its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

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

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

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

18. Investment property

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar 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

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risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period. It is Nordea's assessment that a risk percentage of five or higher is a significant insurance risk.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

Traditional life insurance provisions represent consolidated provisions for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland, Denmark, Poland, Luxembourg, Isle of Man, Estonia and Lithuania.

In Denmark, Sweden and Finland the measurements are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates and assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is closely related to solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential.

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis in the same way as general insurance contracts.

Investment contracts

Investment contracts are contracts with policyholders, which do not transfer sufficient insurance risk to be classified as insurance contracts.

However, investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (Collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life" and/or "Change in collective bonus potentials, Life", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. Taxes

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

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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, 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 are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G33 "Retirement benefit obligations").

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

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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.

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The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in D-rights/Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G7 "Staff costs".

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

For more information see Note G7 "Staff costs".

26. Related party transactions

Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Key management personnel
- Other related parties

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

Shareholders with significant influence
Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Group undertakings
For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P21 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings
For the definition of Associated undertakings see section 5 "Principles of consolidation".

Further information on the associated undertakings included in the Nordea Group is found in Note G19 "Investments in associated undertakings".

Key management personnel
Key management personnel includes the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties
Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G48 "Related-party transactions".

27. Exchange rates

EUR 1 = SEK	Jan–Dec 2013	Jan–Dec 2012
Income statement (average)	8.6524	8.7052
Balance sheet (at end of period)	8.8591	8.5820
EUR 1 = DKK		
Income statement (average)	7.4579	7.4438
Balance sheet (at end of period)	7.4593	7.4610
EUR 1 = NOK		
Income statement (average)	7.8091	7.4758
Balance sheet (at end of period)	8.3630	7.3483
EUR 1 = PLN		
Income statement (average)	4.1969	4.1836
Balance sheet (at end of period)	4.1543	4.0740
EUR 1 = RUB		
Income statement (average)	42.3269	39.9253
Balance sheet (at end of period)	45.3246	40.3295

G2 Segment reporting

Operating segments

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.

Compared with the 2012 Annual Report changes in the basis of segmentation have been made following the divestment of Nordea's Polish operations. The divested operations are excluded from the reporting to the Chief Operating Decision Maker (CODM) and are consequently not part of the segment reporting in Note G2. The impact from the divested operations can be found in Note G44. Comparative figures have been restated accordingly.

The main business area Wealth Management has in addition been separated from Other operating segments and further broken down on reportable operating segments. Comparative figures have been restated accordingly.

Reportable Operating segments

Retail Banking conducts a full service banking operation and offers a wide range of products. It is Nordea's largest customer area and serves household customers and corporate customers in the Nordic markets (Retail Banking Nordic) as well as the Baltic countries (Retail Banking Baltic). Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor made solutions and syndicated loan transactions. Nordea Bank Russia offers a full range of bank services to corporate and private customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas. Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions which is not allocated to the main business areas. Group Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Corporate Centre originates from Group Treasury.

Income statement 2013, EURm	Retail Banking	Wholesale Banking	Wealth Management	Group Corporate Centre	Other Operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	3,859	1,150	133	360	44	5,546	–21	5,525
Net fee and commission income	1,523	576	577	–10	0	2,666	–24	2,642
Net result from items at fair value	331	917	355	57	–6	1,654	–115	1,539
Profit from associated undertakings accounted for under the equity method	35	—	—	0	0	35	44	79
Other income	66	3	25	9	–1	102	4	106
Total operating income	**5,814**	**2,646**	**1,090**	**416**	**37**	**10,003**	**–112**	**9,891**
– of which internal transactions[1]	–1,619	–295	27	1,933	–46	—	—	—
Staff costs	–1,379	–800	–489	–224	–7	–2,899	–79	–2,978
Other expenses	–1,672	–78	–127	–1	–2	–1,880	45	–1,835
Depreciation, amortisation and impairment charges of tangible and intangible assets	–104	–36	–20	–47	0	–207	–20	–227
Total operating expenses	**–3,155**	**–914**	**–636**	**–272**	**–9**	**–4,986**	**–54**	**–5,040**
Profit before loan losses	**2,659**	**1,732**	**454**	**144**	**28**	**5,017**	**–166**	**4,851**
Net loan losses	–498	–262	–3	0	0	–763	28	–735
Operating profit	**2,161**	**1,470**	**451**	**144**	**28**	**4,254**	**–138**	**4,116**
Income tax expense	–566	–387	–107	–33	–14	–1,107	98	–1,009
Net profit for the year from continuing operations	**1,595**	**1,083**	**344**	**111**	**14**	**3,147**	**–40**	**3,107**
Balance sheet 31 Dec 2013, EURbn								
Loans to the public[2]	224	61	9	—	—	294	48	342
Deposits and borrowings from the public[2]	110	43	11	—	—	164	37	201

G2 Segment reporting, cont.

Income statement, 2012 EURm	Retail Banking	Wholesale Banking	Wealth Management	Group Corporate Centre	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	3,832	1,170	134	417	23	5,576	–13	5,563
Net fee and commission income	1,519	542	435	–13	0	2,483	–15	2,468
Net result from items at fair value	292	1,065	426	83	2	1,868	–94	1,774
Profit from associated undertakings accounted for under the equity method	41	—	—	–1	0	40	53	93
Other income	64	12	24	96	0	196	–96	100
Total operating income	**5,748**	**2,789**	**1,019**	**582**	**25**	**10,163**	**–165**	**9,998**
– of which internal transactions[1]	–2,100	–386	32	2,562	–108	—	—	—
Staff costs	–1,384	–792	–473	–215	–6	–2,870	–119	–2,989
Other expenses	–1,697	–102	–127	–36	–6	–1,968	160	–1,808
Depreciation, amortisation and impairment charges of tangible and intangible assets	–108	–39	–25	–56	0	–228	–39	–267
Total operating expenses	**–3,189**	**–933**	**–625**	**–307**	**–12**	**–5,066**	**2**	**–5,064**
Profit before loan losses	**2,559**	**1,856**	**394**	**275**	**13**	**5,097**	**–163**	**4,934**
Net loan losses	–614	–315	–2	0	0	–931	36	–895
Operating profit	**1,945**	**1,541**	**392**	**275**	**13**	**4,166**	**–127**	**4,039**
Income tax expense	–556	–442	96	–61	–4	–1,159	189	–970
Net profit for the year from continuing operations	**1,389**	**1,099**	**296**	**214**	9	**3,007**	**62**	**3,069**
Balance sheet 31 Dec 2012, EURbn								
Loans to the public[2]	224	66	8	—	—	298	48	346
Deposits and borrowings from the public[2]	109	46	11	—	—	166	35	201

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

Break-down of Retail Banking

	Retail Banking Nordic[1]		Retail Banking Baltic[2]		Retail Banking Other[3]		Total Retail Banking	
Income statement, EURm	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	3,822	3,704	130	120	–93	8	3,859	3,832
Net fee and commission income	1,498	1,489	43	43	–18	–13	1,523	1,519
Net result from items at fair value	339	306	–3	–1	–5	–13	331	292
Profit from associated undertakings accounted for under the equity method	32	37	0	0	3	4	35	41
Other income	33	18	1	2	32	44	66	64
Total operating income	**5,724**	**5,554**	**171**	**164**	**–81**	**30**	**5,814**	**5,748**
– of which internal transactions	–1,558	–1,968	–44	–51	–17	–81	–1,619	–2,100
Staff costs	–984	–986	–25	–24	–370	–374	–1,379	–1,384
Other expenses	–1,981	–1,990	–59	–52	368	345	–1,672	–1,697
Depreciation, amortisation and impairment charges of tangible and intangible assets	–46	–43	–1	–2	–57	–63	–104	–108
Total operating expenses	**–3,011**	**–3,019**	**–85**	**–78**	**–59**	**–92**	**–3,155**	**–3,189**
Profit before loan losses	**2,713**	**2,535**	**86**	**86**	**–140**	**–62**	**2,659**	**2,559**
Net loan losses	–447	–563	–40	–29	–11	–22	–498	–614
Operating profit	**2,266**	**1,972**	**46**	**57**	**–151**	**–84**	**2,161**	**1,945**
Income tax expense	–585	–559	–15	–13	34	16	–566	–556
Net profit for the year from continuing operations	**1,681**	**1,413**	**31**	**44**	**–117**	**–68**	**1,595**	**1,389**
Balance sheet, EURbn								
Loans to the public	217	217	7	7	—	—	224	224
Deposits and borrowings from the public	107	106	3	3	—	—	110	109

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

G2 Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2013	Corporate & Institutional Banking 2012	Shipping, Offshore & Oil Services 2013	Shipping, Offshore & Oil Services 2012	Nordea Bank Russia 2013	Nordea Bank Russia 2012	Capital Markets unallocated 2013	Capital Markets unallocated 2012	Wholesale Banking Other[1] 2013	Wholesale Banking Other[1] 2012	Total Wholesale Banking 2013	Total Wholesale Banking 2012
Net interest income	710	695	278	292	243	206	4	9	–85	–32	1,150	1,170
Net fee and commission income	573	557	58	64	14	16	–79	–96	10	1	576	542
Net result from items at fair value	354	403	33	28	13	8	510	625	7	1	917	1,065
Other income	0	1	0	0	0	3	2	2	1	6	3	12
Total operating income	**1,637**	**1,656**	**369**	**384**	**270**	**233**	**437**	**540**	**–67**	**–24**	**2,646**	**2,789**
– of which internal transactions	–211	–318	–84	–101	–43	–52	133	124	–90	–39	–295	–386
Staff costs	–42	–40	–26	–26	–72	–69	–445	–453	–215	–204	–800	–792
Other expenses	–448	–449	–40	–43	–33	–32	230	212	213	210	–78	–102
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–7	–6	–1	–1	–28	–32	–36	–39
Total operating expenses	**–490**	**–489**	**–66**	**–69**	**–112**	**–107**	**–216**	**–242**	**–30**	**–26**	**–914**	**–933**
Profit before loan losses	**1,147**	**1,167**	**303**	**315**	**158**	**126**	**221**	**298**	**–97**	**–50**	**1,732**	**1,856**
Net loan losses	–172	–68	–98	–241	8	–6	—	—	0	0	–262	–315
Operating profit	**975**	**1,099**	**205**	**74**	**166**	**120**	**221**	**298**	**–97**	**–50**	**1,470**	**1,541**
Income tax expense	–256	–272	–65	–72	–37	–30	–53	–74	24	6	–387	–442
Net profit for the year from continuing operations	**719**	**827**	**140**	**2**	**129**	**90**	**168**	**224**	**–73**	**–44**	**1,083**	**1,099**
Balance sheet, EURbn												
Loans to the public	41	46	13	13	7	7	—	—	—	—	61	66
Deposits and borrowings from the public	37	39	4	5	2	2	—	—	—	—	43	46

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 2013	Private Banking 2012	Asset Management 2013	Asset Management 2012	Life & Pensions unallocated 2013	Life & Pensions unallocated 2012	Wealth Management Other[1] 2013	Wealth Management Other[1] 2012	Total Wealth Management 2013	Total Wealth Management 2012
Net interest income	131	127	1	1	0	0	1	6	133	134
Net fee and commission income	484	405	145	124	–53	–87	1	–7	577	435
Net result from items at fair value	133	132	0	4	222	289	0	1	355	426
Other income	4	10	10	8	10	8	1	–2	25	24
Total operating income	**752**	**674**	**156**	**137**	**179**	**210**	**3**	**–2**	**1,090**	**1,019**
– of which internal transactions	20	25	0	0	1	0	6	7	27	32
Staff costs	–171	–164	–115	–118	–130	–120	–73	–71	–489	–473
Other expenses	–237	–233	7	16	38	27	65	63	–127	–127
Depreciation, amortisation and impairment	–6	–5	0	0	–11	–14	–3	–6	–20	–25
Total operating expenses	**–414**	**–402**	**–108**	**–102**	**–103**	**–107**	**–11**	**–14**	**–636**	**–625**
Profit before loan losses	**338**	**272**	**48**	**35**	**76**	**103**	**–8**	**–16**	**454**	**394**
Net loan losses	–3	–2	—	—	—	—	—	—	–3	–2
Operating profit	**335**	**270**	**48**	**35**	**76**	**103**	**–8**	**–16**	**451**	**392**
Income tax expense	–80	–66	–12	–9	–18	–26	3	5	–107	–96
Net profit for the year from continuing operations	**255**	**204**	**36**	**26**	**58**	**77**	**–5**	**–11**	**344**	**296**
Balance sheet, EURbn										
Loans to the public	9	8	—	—	—	—	—	—	9	8
Deposits and borrowings from the public	11	11	—	—	—	—	—	—	11	11

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

G2 Segment reporting, cont.

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.

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	
	2013	2012	2013	2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Total Operating segments	10,003	10,163	4,254	4,166	294	298	164	166
Group functions[1]	3	10	–114	–85	—	—	—	—
Unallocated items	21	41	43	–28	59	40	42	31
Eliminations	–9	–186	—	—	—	—	—	—
Differences in accounting policies[2]	–127	–30	–67	–14	–11	8	–5	4
Total	**9,891**	**9,998**	**4,116**	**4,039**	**342**	**346**	**201**	**201**

1) Consists of Group Risk Management, Group Internal Audit, Group Identity & Communications, Group Human Resources, Board of Directors and Group Executive Management.
2) 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	2013	2012
Banking products	6,131	6,239
Capital Markets products	2,193	2,361
Savings products & Asset management	875	739
Life & Pensions	476	493
Other	216	166
Total	**9,891**	**9,998**

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

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

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

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

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2013	2012	31 Dec 2013	31 Dec 2012
Sweden	2,125	2,246	147	145
Finland	1,604	1,792	72	69
Norway	1,993	1,944	82	91
Denmark	3,218	3,133	242	271
Baltic countries	178	212	10	10
Russia	193	180	5	5
Other	580	491	72	77
Total	**9,891**	**9,998**	**630**	**668**

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

G3 Net interest income

EURm	2013	2012
Interest income		
Loans to credit institutions	60	111
Loans to the public	9,102	10,343
Interest-bearing securities	751	861
Other interest income	691	624
Interest income	**10,604**	**11,939**

G3 Net interest income, cont.

Interest expense		
Deposits by credit institutions	–122	–218
Deposits and borrowings from the public	–1,439	–1,909
Debt securities in issue	–3,705	–3,964
Subordinated liabilities	–340	–355
Other interest expenses[1]	527	70
Interest expense	**–5,079**	**–6,376**
Net interest income	**5,525**	**5,563**

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 8,347m (EUR 9,559m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –4,376m (EUR –5,147m).

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

Net interest income

EURm	2013	2012
Interest income	10,333	11,634
Leasing income[1]	271	305
Interest expense	–5,079	–6,376
Total	**5,525**	**5,563**

1) Of which contingent leasing income amounts to EUR 114m (EUR 148m). 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.

G4 Net fee and commission income

EURm	2013	2012
Asset management commissions	1,000	832
Life insurance	350	285
Brokerage, securities issues and corporate finance	296	289
Custody and issuers services	124	118
Deposits	50	51
Total savings related commissions	**1,820**	**1,575**
Payments	417	409
Cards	508	482
Total payment commissions	**925**	**891**
Lending	510	457
Guarantees and documentary payment	187	219
Total lending related to commissions	**697**	**676**
Other commission income	132	116
Fee and commission income	**3,574**	**3,258**
Savings and investments	–322	–269
Payments	–90	–90
Cards	–259	–236
State guarantee fees	–132	–89
Other commission expenses	–129	–106
Fee and commission expense	**–932**	**–790**
Net fee and commission income	**2,642**	**2,468**

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 543m (EUR 483m).

G4 Net fee and commission income, cont.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 1,646m (EUR 1,407m). The corresponding amounts for fee expenses is EUR –72m (EUR –57m).

G5 Net result from items at fair value

EURm	2013	2012
Shares/participations and other sharerelated instruments	2,630	1,635
Interest-bearing securities and other interest-related instruments	238	2,637
Other financial instruments	90	482
Foreign exchange gains/losses	876	234
Investment properties	145	135
Change in technical provisions, Life[1]	–1,519	–2,895
Change in collective bonus potential, Life	–978	–546
Insurance risk income, Life	202	181
Insurance risk expense, Life	–145	–89
Total	**1,539**	**1,774**

Net result from categories of financial instruments[2]

EURm	2013	2012
Available for sale assets, realised	–6	—
Financial instruments designated at fair value through profit or loss	40	40
Financial instruments held for trading[3]	318	1,203
Financial instruments under fair value hedge accounting	73	36
– of which net gains/losses on hedging instruments	–1,404	1,076
– of which net gains/losses on hedged items	1,477	–1,040
Financial assets measured at amortised cost[4]	13	29
Financial liabilities measured at amortised cost	–26	–23
Foreign exchange gains/losses excluding currency hedges	914	210
Other	–5	–1
Financial risk income, net Life[1]	161	188
Insurance risk income, net Life	57	92
Total	**1,539**	**1,774**

1) Premium income amounts to EUR 2,278m (EUR 2,601m).
2) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, ie before eliminations of intra-group transactions.
3) Of which amortised deferred day one profits amounts to EUR 12m (EUR 12m).
4) Of which EUR 13m (EUR 21m) related to instruments classified into the category “Loans and receivables” and EUR 0m (EUR 8m) related to instruments classified into the category “Held to maturity”.

G6 Other operating income

EURm	2013	2012
Income from real estate	5	10
Disposal of tangible and intangible assets	18	13
Other	83	77
Total	**106**	**100**

G7 Staff costs

EURm	2013	2012
Salaries and remuneration (specification below)[1]	–2,287	–2,277
Pension costs (specification below)	–222	–239
Social security contributions	–387	–399
Other staff costs	–82	–74
Total	**–2,978**	**–2,989**
Salaries and remuneration		
To executives[2]		
– Fixed compensation and benefits	–18	–19
– Performance-related compensation	–12	–8
– Allocation to profit-sharing	0	–1
Total	**–30**	**–28**
To other employees	–2,257	–2,249
Total	**–2,287**	**–2,277**

1) Of which allocation to profit-sharing 2013 EUR 45m (EUR 63m) consisting of a new allocation of EUR 46m (EUR 67m) and a release related to prior years of EUR 1m (EUR 4m).
2) 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 301 (300) positions.

EURm	2013	2012
Pension costs[1]		
Defined benefits plans (Note G33)[2]	–50	–50
Defined contribution plans	–172	–189
Total	**–222**	**–239**

1) Pension cost for executives as defined in footnote 2 above, amounts to EUR 5m (EUR 6m) and pension obligations to EUR 45m (EUR 49m).
2) Excluding social security contributions. Including social security contributions EUR 61m (EUR 66m).

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) one week before the Annual General Meeting on 20 March 2014.

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

Board remuneration

The Annual General Meeting (AGM) 2013 decided to increase the remuneration for the Board of Directors (the Board) by on average 3%. The remuneration was EUR 252,000 (unchanged) for the Chairman, EUR 108,100 for the Vice Chairman and EUR 77,900 for other members and the annual remuneration for committee work was EUR 20,750 for the chairman of the committee and EUR 14,700 for other members. Board members employed by Nordea do not receive separate remuneration for their Board membership. There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for pension commitments to one Board member previously employed by Nordea.

Remuneration to the Board of Directors[1]

EUR	2013	2012
Chairman of the Board:		
Björn Wahlroos	267,264	267,115
Vice Chairman of the Board:		
Marie Ehrling	125,765	115,207
Other Board members[2]:		
Stine Bosse[3]	21,655	89,240
Peter F Braunwalder[4]	91,945	66,483
Elisabeth Grieg[5]	70,291	—
Svein Jacobsen	97,445	92,971
Tom Knutzen	91,945	89,240
Lars G Nordström	91,945	89,240
Sarah Russell	91,945	89,240
Kari Stadigh	97,445	92,971
Total	**1,047,645**	**991,707**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. These are accounted for in SEK and translated into EUR based on the average exchange rate each year.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the Annual General Meeting (AGM) 2013.
4) New member of the Board as from the AGM 2012.
5) New member of the Board as from the AGM 2013.

Salary and benefits

Chief Executive Officer (CEO)

The fixed salary, GEM Executive Incentive Programme (GEM EIP) and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board. GEM EIP 2013, which is based on agreed, specific targets, can amount to a maximum of 100% of the fixed salary. The GEM EIP is further described in the separate section on remuneration in the Board of Directors' report and below.

The fixed salary was increased with 2.5% to SEK 11,031,563 (EUR 1,274,970) as from 1 January 2013, which was announced at the AGM 2013. For 2013 the CEO has earned GEM EIP which, together with the fixed salary, is in accordance with Nordea's remuneration guidelines approved by the AGM 2013. The CEO took part of the previous Long Term Incentive Programmes (LTIP) as described in the separate section on remuneration in the Board of Directors' report and below. Benefits for the CEO include primarily car and housing.

Group Executive Management (GEM)

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for members of GEM, for resolution by the Board. GEM EIP 2013, which is based on agreed, specific targets, can amount to a maximum of 100% of the fixed salary.

As for the CEO, GEM members took part of the previous LTIPs. Benefits include primarily car and/or housing.

G7 Staff costs, cont.

Remuneration to the Chief Executive Officer and Group Executive Management

	Fixed salary		GEM Executive Incentive Programme[1]	Variable Salary Part[1]	Long Term Incentive Programme[2]		Benefits		**Total**	
EUR	2013	2012	2013	2012	2013	2012	2013	2012	**2013**	**2012**
Chief Executive Officer (CEO):										
Christian Clausen[3]	1,274,970	1,236,330	831,280	383,262	—	450,546	81,645	57,653	**2,187,895**	**2,127,791**
Group Executive Management (GEM):										
6 (7) individuals excluding CEO[4]	4,450,178	5,248,832	2,748,761	1,560,348	—	1,736,731	290,739	264,791	**7,489,678**	**8,810,702**
Total	**5,725,148**	**6,485,162**	**3,580,041**	**1,943,610**	**—**	**2,187,277**	**372,384**	**322,444**	**9,677,573**	**10,938,493**

1) CEO and members of GEM were until 2012 offered a Variable Salary Part (VSP) and a 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 2013 is expensed in full in 2013 but paid out over a five year deferral period 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.
2) The comparative figure for the Long Term Incentive Programmes (LTIP) has been restated to the initial fair value of the LTIP 2012 (further defined in the table "Long Term Incentive Programme" below). The expense recognised in the income statement for LTIPs is disclosed separately in the table "Long Term Incentive Programme" below. The CEO and members of GEM have a conditional right to a maximum 114,867 matching shares, 229,735 performance shares I and 114,867 performance shares II in LTIP 2011 and 157,978 matching shares, 473,934 performance shares I and 157,978 performance shares II in LTIP 2012. Rights in LTIP 2010 are fully vested and consequently not conditional. The outcome is due to remuneration regulations from the Swedish FSA 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 73 and below for more details.
3) The CEO's salary is paid in SEK and converted to EUR based on the average exchange rate each year. The increase in fixed salary 2013 is in accordance with the salary increase communicated at the AGM 2013 of 2.5% and also due to exchange rate effects. Benefits are included at taxable values less salary reductions.
4) GEM members are included for the period they have been appointed. Benefits are included at taxable values. One new GEM member was appointed in March 2013 and two members resigned in January and March 2013. Termination benefits amounted to EUR 1.5m and are excluded from the table above.

Long Term Incentive Programme

	Staff cost[1]		Initial fair value[2]	
EUR	2013	2012	2013	2012
Chief Executive Officer (CEO):				
Christian Clausen	349,817	277,292	—	450,546
Group Executive Management (GEM):				
6 (7) Individuals excluding CEO	1,021,443	1,170,473	—	1,736,731
Total	**1,371,260**	**1,447,765**	**—**	**2,187,277**

1) The expense recognised in the income statement (the IFRS 2 expense) is calculated in accordance with IFRS 2 "Share-based Payment". The full expected expense from the programmes is recognised as the vesting requirements are fulfilled over three years starting when the agreement is entered into. LTIP 2010 was expensed until May 2013, LTIP 2011 will be expensed until May 2014 and LTIP 2012 until May 2015. GEM members are included for the period they have been appointed.
2) The initial fair value (grant value) is defined as the fair value per right multiplied with the number of rights that were initially expected to vest. LTIP 2012 is consequently, in the table above, reported in 2012. In 2013 Nordea replaced LTIP with the GEM EIP and there is consequently no amount to disclose for 2013. See below for more information on the valuation of the LTIPs.

Pension

Chief Executive Officer (CEO)

The CEO's retirement age has, as announced at the AGM 2013, been removed from the employment agreement. The CEO is covered by a defined benefit plan up to the age of 60. The pension amounts to 50% of the pensionable income, defined as the fixed salary, for life. The maximum pensionable income is 200 Swedish Income Base Amounts. The pension obligation is fully funded, meaning that it is covered in full by plan assets. At age 60 the pension risk is transferred to the CEO. Pension payments are to be made in accordance with local legislations and pension insurance conditions. From age 60 the CEO will have a defined contribution plan.

Group Executive Management (GEM)

The pension agreements vary due to local country practices.

GEM members are entitled to retire with pension at the age of 60, 62, 65 or 70. Pension agreements are defined benefit plans, defined contribution plans or a combination of such plans.

Two members have defined benefit plans not based on collective agreements. One of these defined benefit plans provides retirement pension amounting to 50% of pensionable income for life from age 62, including national pension benefits. The second defined benefit plan not based on a collective agreement provides a retirement pension from age 60, including both national pension benefits and previously earned pension. The retirement pension benefit in this plan decreased from 70% to 66% of pensionable income for future earnings as from 1 January 2011. Two members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and one in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. Three members have defined contribution plans only. Fixed salary is pensionable income for all GEM-members. Variable salary part/GEM EIP is included for one member.

G7 Staff costs, cont.

Pension expense and pension obligation

	2013		2012	
EUR	Pension expense[5]	Pension obligation[6]	Pension expense[5]	Pension obligation[6]
Board members[1]:				
Lars G Nordström	—	363,280	—	402,250
Chief executive officer (CEO):				
Christian Clausen[2]	807,988	12,440,440	843,527	12,151,364
Group Executive Management (GEM):				
6 (7) individuals excluding CEO[3]	1,799,215	5,502,372	2,108,905	5,337,679
Former Chairman of the Board and CEOs:				
Vesa Vainio and Thorleif Krarup[4]	—	16,916,203	—	18,132,111
Total	**2,607,203**	**35,222,295**	**2,952,432**	**36,023,404**

1) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP and earned during the employment period.
2) The reason behind the decrease in pension expense is changes in the actuarial assumptions. New pension rights earned in 2013 have had an increasing impact on the pension obligation, while changes in actuarial assumptions and exchange rates have had a decreasing impact on the pension obligation.
3) Members of GEM included for the period they have been appointed. The decrease in pension expense 2013 is mainly due to that there is one member of GEM less compared with 2012. The pension obligation is the obligation towards the members of GEM as of 31 December. The increase in the pension obligation is due to new pension rights earned in 2013, to some extent offset by changes in actuarial assumptions and exchange rates. Termination benefits amounted to EUR 0.4m and are excluded from the table above.
4) The pension obligation for Vesa Vainio and Thorleif Krarup is mainly due to pension rights earned in, and funded by, banks forming Nordea.
5) 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 853,782 (EUR 1,094,953) relates to defined contribution agreements.
6) 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.

Notice period and severance pay

In accordance with their employment contracts CEO and four GEM members have a notice period of 12 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. The CEO is not entitled to severance pay if leaving Nordea after the age of 60.

Two GEM members are entitled to 6 months' salary during the notice period, and with regard to severance pay 18 months' salary to be reduced by the salary they receive as a result of any other employment during these 18 months.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 26, amount to EUR 8m (EUR 6m). 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 100 basis points lower than the best corresponding interest rate for external customers, with a cap on the loan amount of 3 times salary grade 55 plus NOK 100,000. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 10 basis points up to EUR 400,000, and 30 basis points on the part that exceeds EUR 400,000. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 150 basis points). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

G7 Staff costs, cont.

Long Term Incentive Programmes

Conditional rights LTIP 2012	2013 Matching Share	2013 Performance Share I	2013 Performance Share II	2012 Matching Share	2012 Performance Share I	2012 Performance Share II
Outstanding at the beginning of the year	1,264,437	3,176,540	1,264,437	—	—	—
Granted	46,646[1]	117,074[1]	46,646[1]	1,270,410	3,188,486	1,270,410
Forfeited	–50,331	–129,317	–50,331	–5,973	–11,946	–5,973
Outstanding at end of year	**1,260,752**	**3,164,297**	**1,260,752**	**1,264,437**	**3,176,540**	**1,264,437**
– of which currently exercisable	—	—	—	—	—	—
Conditional rights LTIP 2011						
Outstanding at the beginning of year	971,195	1,942,391	971,195	950,056	1,900,112	950,056
Granted	36,064[1]	72,128[1]	36,064[1]	35,599[1]	71,199[1]	35,599[1]
Forfeited	–32,513	–65,026	–32,513	–14,460	–28,920	–14,460
Outstanding at end of year	**974,746**	**1,949,493**	**974,746**	**971,195**	**1,942,391**	**971,195**
– of which currently exercisable	—	—	—	—	—	—
Rights LTIP 2010						
Outstanding at the beginning of year	871,028	1,742,056	871,028	889,163	1,778,326	889,163
Forfeited	–18,373	–841,222	–487,322	–18,135	–36,270	–18,135
Allotted	–672,726	–710,738	–302,735	—	—	—
Outstanding at end of year	**179,929**	**190,096**	**80,971**	**871,028**	**1,742,056**	**871,028**
– of which currently exercisable	—	—	—	—	—	—
Rights LTIP 2009	A-rights	B-C-rights	D-rights	A-rights	B-C-rights	D-rights
Outstanding at the beginning of year	101,905	107,537	34,304	316,498	306,340	119,944
Forfeited	—	—	—	–11,962	–11,962	–11,962
Exercised[2]	–101,905	–107,537	–34,304	–202,631	–186,841	–73,678
Outstanding at end of year	**—**	**—**	**—**	**101,905**	**107,537**	**34,304**
– of which currently exercisable	—	—	—	101,905	107,537	34,304

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Weighted average share price during the exercise period amounts to EUR 8.63 (EUR 6.88).

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

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

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

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

G7 Staff costs, cont.

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

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

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

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009[1]
Service condition, A-D-rights/Matching Share/Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the two year vesting period.
Performance condition, B-rights/Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full allotment will be obtained if the RAROCAR amounts to 17%.	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full allotment will be obtained if the Compound Annual Growth Rate amounts to or exceeds 10%.	Compound Annual Growth Rate in RAPPS from year 2009 (base year) to and including year 2012. Full allotment was obtained if the Compound Annual Growth Rate amounted to or exceeded 9%.	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 8% or more.
EPS knock out, B-rights/Performance Share I	—	Average reported EPS for 2011–2013 lower than EUR 0.26.	Average reported EPS for 2010–2012 lower than EUR 0.26.	Reported EPS for 2009 lower than EUR 0.26.
Performance condition, C-rights	—	—	—	Increase in RAPPS 2010 compared to 2009. Full right to exercise was obtained if RAPPS increased by 8% or more.
EPS knock out, C-rights	—	—	—	Reported EPS for 2010 lower than EUR 0.26
Performance condition, D-rights/Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/B-ranking year-end 2014 compared to a peer group. Full allotment will be obtained if the RAROCAR amounts to 14% and if Nordea´s P/B-ranking is 1–5.	TSR during 2011–2013 in comparison with a peer group. Full allotment will be obtained if Nordea is ranked number 1–5.	TSR during 2010–2012 in comparison with a peer group. Full allotment was obtained if Nordea was ranked number 1–5.	TSR during 2009–2010 in comparison with a peer group. Full right to exercise was obtained if Nordea was ranked number 1.
Cap	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2010.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2009.	The profit per A-D-right is capped to EUR 9.59 per right.

G7 Staff costs, cont.

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009[1]
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	—	The exercise price was adjusted for dividends during the exercise period, however never adjusted below EUR 0.10.

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

Fair value calculations

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

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009
Weighted average share price	EUR 6.70	EUR 8.39	EUR 6.88	EUR 5.79
Right life	3.0 years	3.0 years	3.0 years	2.5 years
Deduction of expected dividends	No	No	No	Yes
Risk free rate	Not applicable	Not applicable	Not applicable	1.84%
Expected volatility	Not applicable	Not applicable	Not applicable	29.00%

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

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

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

EURm	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009
Expected expense for the whole programme	–19	–22	–14	–11
Maximum expense for the whole programme	–31	–25	–14	–11
Total expense during 2013	–6	–7	–3	—
Total expense during 2012	–4	–6	–2	—

1) All amounts excluding social security contribution.

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

G7 Staff costs, cont.

Cash-settled share-based payment transactions

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

In addition Nordea has during 2013 introduced the Executive Incentive Programme 2013 ("EIP 2013") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP rewards performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2013 is paid no earlier than autumn 2017. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP 2013 is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2013 is decided during spring 2014, and a reservation of EUR 31m excl. social costs is made 2013. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP will be included as from 2014, when deferred.

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

	Share linked deferrals	
EURm	2013	2012
Opening balance	21	10
Deferred/earned during the year	15	11
TSR indexation during the year	9	4
Payments during the year[1]	–15	–4
Translation differences	–2	0
Closing balance	**28**	**21**

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

Average number of employees – Continuing operations

	Total		Men		Women	
	2013	2012	2013	2012	2013	2012
Full-time equivalents						
Denmark	8,250	8,545	4,512	4,329	3,738	4,216
Finland	7,116	7,312	1,863	1,889	5,253	5,423
Sweden	6,881	7,102	3,083	3,148	3,798	3,954
Norway	3,280	3,343	1,767	1,788	1,513	1,555
Russia	1,454	1,520	469	525	985	995
Poland	503	307	114	70	389	237
Estonia	468	475	102	103	366	372
Latvia	443	462	132	137	311	325
Luxembourg	424	423	261	260	163	163
Lithuania	340	365	101	111	239	254
United States	113	101	56	49	57	52
United Kingdom	69	69	45	40	24	29
Singapore	67	65	19	23	48	42
Germany	48	49	20	29	28	20
Other countires	27	27	11	10	16	17
Total average	**29,483**	**30,165**	**12,555**	**12,511**	**16,928**	**17,654**
Total number of employees (FTEs), end of period	**29,429**	**29,491**				

Gender distribution

In the parent company´s Board of Directors 67% (67%) were men and 33% (33%) were women. In the Board of Directors of the Nordea Group companies, 78% (84%) were men and 22% (16%) were women. The corresponding numbers for Other executives were 69% (67%) men and 31% (33%) women. Internal Boards consist mainly of management in Nordea.

G8 Other expenses

EURm	2013	2012
Information technology	–671	–631
Marketing and representation	–116	–117
Postage, transportation, telephone and office expenses	–192	–220
Rents, premises and real estate	–373	–399
Other	–483	–441
Total	**–1,835**	**–1,808**

Auditors' fees – Total operations

EURm	2013	2012
KPMG		
Auditing assignments	–7	–7
Audit-related services	–1	–1
Tax advisory services	0	0
Other assignments	–5	–2
Total	**–13**	**–10**

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

EURm	2013	2012
Depreciation/amortisation		
Property and equipment (Note G21)		
Equipment	–91	–101
Intangible assets (Note G20)		
Computer software	–89	–104
Other intangible assets	–30	–24
Total	**–210**	**–229**

Impairment charges		
Intangible assets (Note G20)		
Computer software	–17	–38
Total	**–17**	**–38**
Total	**–227**	**–267**

G10 Net loan losses

EURm	2013	2012
Divided by class		
Loans to credit institutions	1	–1
– of which provisions	0	–5
– of which reversals	1	4
Loans to the public	–748	–901
– of which provisions	–1,131	–1,392
– of which write-offs	–709	–642
– of which allowances to cover write-offs	508	452
– of which reversals	508	603
– of which recoveries	76	78
Off-balance sheet items[1]	12	7
– of which provisions	–25	–43
– of which reversals	37	50
Total	**–735**	**–895**

Specification		
Changes of allowance accounts on the balance sheet	–599	–784
– of which Loans, individually assessed[2]	–574	–908
– of which Loans, collectively assessed[2]	–48	117
– of which Off-balance sheet items, individually assessed[1]	16	13
– of which Off-balance sheet items, collectively assessed[1]	7	–6
Changes directly recognised in the income statement	–136	–111
– of which realised loan losses, individually assessed	–204	–189
– of which realised recoveries, individually assessed	68	78
Total	**–735**	**–895**

1) Included in Note G32 Provisions as "Transfer risk, off-balance" and "Individually assessed guarantees and other commitments".
2) Included in Note G13 Loans and impairment.

G11 Taxes

Income tax expense

EURm	2013	2012
Current tax	–927	–974
Deferred tax	–31	4
Bank tax in Finland[1]	–51	—
Total	**–1,009**	**–970**

1) The Finnish bank tax was introduced in 2013 and is based on risk weighted assets rather than income.

Current and deferred tax recognised in Other comprehensive income		
Deferred tax assets due to hedging of net investments in foreign operations	–102	45
Deferred tax relating to available for sale investments	–6	–17
Deferred tax relating to cash flow hedges	–1	50
Deferred tax relating to defined benefit plans	–39	–87
Total	**–148**	**–9**

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate of Sweden (excluding bank tax in Finland) as follows:

EURm	2013	2012
Profit before tax	4,116	4,039
Tax calculated at a tax rate of 22.0% (26.3%)	–906	–1,062
Effect of different tax rates in other countries	–123	29
Income from associated undertakings	17	15
Tax-exempt income	38	59
Non-deductible expenses	–32	–39
Adjustments relating to prior years	35	–27
Utilization of non-capitalized tax losses carry-forwards from previous periods	2	0
Change of tax rate[1]	33	73
Not creditable foreign taxes	–22	–18
Tax charge	**–958**	**–970**
Average effective tax rate	23%	24%

1) Due to change of corporate tax rate in Denmark, Finland and Norway (2012: change of corporate tax rate in Sweden).

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2013	2012	2013	2012
Deferred tax related to:				
Tax losses carry-forward	50	18	—	—
Untaxed reserves	—	—	1	36
Loans to the public	19	19	430	465
Shares	—	—	3	19
Derivatives	10	26	155	19
Intangible assets	0	0	72	80
Property and equipment	7	6	2	0
Investment property	0	—	155	177
Retirement benefit assets/obligations	25	75	52	36
Hedging of net investments in foreign operations	3	109	—	—
Liabilities/provisions	52	81	169	212
Netting between deferred tax assets and liabilities	–104	–68	–104	–68
Total	**62**	**266**	**935**	**976**

G11 Taxes, cont.

EURm	2013	2012
Movements in deferred tax assets/liabilities (net)		
Amount at beginning of year (net)	–710	–694
Deferred tax relating to items recognised in Other comprehensive income	–148	–9
Translation differences	17	–13
Acquisitions and others	–1	–3
Deferred tax in discontinued operations	—	5
Deferred tax in the income statement	–31	4
Amount at end of year (net)	**–873**	**–710**

EURm	2013	2012
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	45	53
Total	**45**	**53**

G12 Earnings per share

	Total operations		Continuing operations		Discontinued operations	
	2013	2012	2013	2012	2013	2012
Earnings:						
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3,116	3,119	3,107	3,062	9	57
Number of shares (in millions):						
Number of shares outstanding at beginning of year	4,050	4,047	4,050	4,047	4,050	4,047
Average number of issued C-shares[1]	—	2	—	2	—	2
Average number of repurchased own C-shares[1]	—	–2	—	–2	—	–2
Average number of own shares	–31	–23	–31	–23	–31	–23
Basic weighted average number of shares outstanding	**4,019**	**4,024**	**4,019**	**4,024**	**4,019**	**4,024**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	1	2	1	2	1	2
Diluted weighted average number of shares outstanding	**4,020**	**4,026**	**4,020**	**4,026**	**4,020**	**4,026**
Basic earnings per share, EUR	0.77	0.78	0.77	0.77	0.00	0.01
Diluted earnings per share, EUR	0.77	0.78	0.77	0.77	0.00	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 31 Dec 2013	Central banks and credit institutions 31 Dec 2012	The public[1] 31 Dec 2013	The public[1] 31 Dec 2012	Total 31 Dec 2013	Total 31 Dec 2012
Loans, not impaired	22,515	18,578	338,703	342,190	361,218	360,768
Impaired loans	24	24	6,540	6,881	6,564	6,905
– of which performing	—	—	3,909	4,023	3,909	4,023
– of which non-performing	24	24	2,631	2,858	2,655	2,882
Loans before allowances	**22,539**	**18,602**	**345,243**	**349,071**	**367,782**	**367,673**
Allowances for individually assessed impaired loans	–24	–24	–2,373	–2,376	–2,397	–2,400
– of which performing	—	—	–1,372	–1,332	–1,372	–1,332
– of which non-performing	–24	–24	–1,001	–1,044	–1,025	–1,068
Allowances for collectively assessed impaired loans	–3	–4	–419	–444	–422	–448
Allowances	**–27**	**–28**	**–2,792**	**–2,820**	**–2,819**	**–2,848**
Loans, carrying amount	**22,512**	**18,574**	**342,451**	**346,251**	**364,963**	**364,825**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G22 Leasing.

Reconciliation of allowance accounts for impaired loans[1]

EURm	Central banks and credit institutions: Individually assessed	Central banks and credit institutions: Collectively assessed	Central banks and credit institutions: Total	The public: Individually assessed	The public: Collectively assessed	The public: Total	Total: Individually assessed	Total: Collectively assessed	Total: Total
Opening balance at 1 Jan 2013	**–24**	**–4**	**–28**	**–2,376**	**–444**	**–2,820**	**–2,400**	**–448**	**–2,848**
Provisions	0	0	0	–957	–174	–1,131	–957	–174	–1,131
Reversals	0	1	1	383	125	508	383	126	509
Changes through the income statement	**0**	**1**	**1**	**–574**	**–49**	**–623**	**–574**	**–48**	**–622**
Reclassified to assets held for sale	—	—	—	60	14	74	60	14	74
Allowances used to cover write-offs	—	—	—	508	—	508	508	0	508
Reclassification	—	—	—	–42	42	0	–42	42	0
Translation differences	0	0	0	51	18	69	51	18	69
Closing balance at 31 Dec 2013	**–24**	**–3**	**–27**	**–2,373**	**–419**	**–2,792**	**–2,397**	**–422**	**–2,819**
Opening balance at 1 Jan 2012	**–26**	**–2**	**–28**	**–1,866**	**–577**	**–2,443**	**–1,892**	**–579**	**–2,471**
Provisions	0	–5	–5	–1,313	–125	–1,438	–1,313	–130	–1,443
Reversals	1	3	4	367	244	611	368	247	615
Changes through the income statement	**1**	**–2**	**–1**	**–946**	**119**	**–827**	**–945**	**117**	**–828**
Allowances used to cover write-offs	—	—	—	453	—	453	453	0	453
Reclassification	0	—	0	–21	21	0	–21	21	0
Translation differences	1	0	1	4	–7	–3	5	–7	–2
Closing balance at 31 Dec 2012	**–24**	**–4**	**–28**	**–2,376**	**–444**	**–2,820**	**–2,400**	**–448**	**–2,848**

1) See Note G10 Net loan losses.

Allowances and provisions

EURm	Central banks and credit institutions 31 Dec 2013	Central banks and credit institutions 31 Dec 2012	The public 31 Dec 2013	The public 31 Dec 2012	Total 31 Dec 2013	Total 31 Dec 2012
Allowances for items on the balance sheet	–27	–28	–2,792	–2,820	–2,819	–2,848
Provisions for off balance sheet items	–10	–16	–51	–68	–61	–84
Total allowances and provisions	**–37**	**–44**	**–2,843**	**–2,888**	**–2,880**	**–2,932**

G13 Loans and impairment, cont.

Key ratios[1]

	31 Dec 2013	31 Dec 2012
Impairment rate, gross, basis points	178	188
Impairment rate, net, basis points	113	123
Total allowance rate, basis points	77	77
Allowances in relation to impaired loans, %	37	35
Total allowances in relation to impaired loans, %	43	41
Non-performing loans, not impaired, EURm	418	614

1) For definitions, see Business definitions on page 89.

G14 Interest-bearing securities

EURm	31 Dec 2013	31 Dec 2012
State and sovereigns	21,422	20,827
Municipalities and other public bodies	2,490	5,486
Mortgage institutions	32,481	27,677
Other credit institutions	23,931	24,928
Corporates	6,095	4,820
Corporates sub-investment grade	445	794
Other	450	2,094
Total	**87,314**	**86,626**

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 2013	31 Dec 2012
Interest-bearing securities	9,544	7,964
Shares	31	6
Total	**9,575**	**7,970**

For information on transferred assets and reverse repos, see Note G45.

G16 Shares

EURm	31 Dec 2013	31 Dec 2012
Shares	12,164	11,984
Fund units, equity related	11,329	8,871
Fund units, interest related	9,809	7,279
Total	**33,302**	**28,134**
– of which Financial instruments pledged as collateral (Note G15)	31	6
Total	**33,271**	**28,128**

G17 Derivatives and Hedge accounting

31 Dec 2013, EURm	Fair value Positive	Fair value Negative	Total nom amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	48,038	43,270	3,943,615
FRAs	16	18	50,590
Futures and forwards	206	210	1,155,477
Options	8,397	7,904	567,809
Total	**56,657**	**51,402**	**5,717,491**
Equity derivatives			
Equity swaps	86	151	5,381
Futures and forwards	3	5	733
Options	618	645	16,189
Total	**707**	**801**	**22,303**
Foreign exchange derivatives			
Currency and interest rate swaps	9,467	10,203	749,352
Currency forwards	472	510	84,848
Options	185	149	21,116
Total	**10,124**	**10,862**	**855,316**
Credit derivatives			
Credit Default Swaps (CDS)	1,337	1,361	60,888
Total	**1,337**	**1,361**	**60,888**
Commodity derivatives			
Swaps	105	92	2,125
Futures and forwards	12	10	762
Options	27	11	1,038
Total	**144**	**113**	**3,925**
Other derivatives			
Options	13	14	430
Other	21	13	1,948
Total	**34**	**27**	**2,378**
Total derivatives held for trading	**69,003**	**64,566**	**6,662,301**
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	1,573	583	96,020
Options	0	5	1,574
Total	**1,573**	**588**	**97,594**
Foreign exchange derivatives			
Currency and interest rate swaps	416	770	18,563
Total	**416**	**770**	**18,563**
Total derivatives used for hedge accounting	**1,989**	**1,358**	**116,157**
– of which cash flow hedges	530	843	21,899[1]
– of which fair value hedges	1,417	493	105,502[1]
– of which net investment hedges	42	22	9,455
Total derivatives	**70,992**	**65,924**	**6,778,458**

1) Some cross currency interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2013, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	67	—	—	—	65
Cash outflows (liabilities)	6,013	9,399	14,943	10,736	1,623
Net cash outflows	**5,946**	**9,399**	**14,943**	**10,736**	**1,558**

G17 Derivatives and Hedge accounting, cont.

31 Dec 2012, EURm	Fair value Positive	Fair value Negative	Total nom amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	89,774	84,279	3,707,415
FRAs	21	29	24,998
Futures and forwards	585	559	1,438,612
Options	12,163	12,147	450,396
Other	15	0	1,177
Total	**102,558**	**97,014**	**5,622,598**
Equity derivatives			
Equity swaps	93	107	4,705
Futures and forwards	16	13	395
Options	514	448	12,711
Total	**623**	**568**	**17,811**
Foreign exchange derivatives			
Currency and interest rate swaps	10,593	13,345	792,777
Currency forwards	505	893	91,048
Options	202	212	26,329
Other	0	0	242
Total	**11,300**	**14,450**	**910,396**
Credit derivatives			
Credit Default Swaps (CDS)	637	655	47,052
Total	**637**	**655**	**47,052**
Commodity derivatives			
Swaps	493	433	5,694
Futures and forwards	5	26	599
Options	30	28	1,524
Total	**528**	**487**	**7,817**
Other derivatives			
Swaps	—	8	426
Options	11	6	233
Other	49	14	1,924
Total	**60**	**28**	**2,583**
Total derivatives held for trading	**115,706**	**113,202**	**6,608,257**
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	2,281	594	58,816
Options	0	0	1,042
Total	**2,281**	**594**	**59,858**
Foreign exchange derivatives			
Currency and interest rate swaps	802	407	8,871
Total	**802**	**407**	**8,871**
Total derivatives used for hedge accounting	**3,083**	**1,001**	**68,729**
Total derivatives	**118,789**	**114,203**	**6,676,986**

G18 Fair value changes of the hedged items in portfolio hedge of interest rate risk

EURm Assets	31 Dec 2013	31 Dec 2012
Carrying amount at beginning of year	–711	–215
Changes during the year		
Revaluation of hedged items	926	–506
Translation differences	–12	10
Carrying amount at end of year	**203**	**–711**
Liabilities		
Carrying amount at beginning of year	1,940	1,274
Changes during the year		
Revaluation of hedged items	–169	625
Translation differences	–37	41
Carrying amount at end of year	**1,734**	**1,940**

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset respectively a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

G19 Investments in associated undertakings

EURm	31 Dec 2013	31 Dec 2012
Acquisition value at beginning of year	596	603
Acquisitions during the year	8	6
Sales during the year	–4	–4
Share in earnings[1]	86	67
Dividend received	–62	–42
Translation differences	17	–34
Acquisition value at end of year	**641**	**596**
Accumulated impairment charges at beginning of year	–11	–12
Accumulated impairment charges on sales during the year	—	1
Reversed impairment charges during the year	1	—
Reclassifications	–1	0
Accumulated impairment charges at end of year	**–11**	**–11**
Total	**630**	**585**

1) Share in earnings

EURm	2013	2012
Profit from companies accounted for under the equity method	79	93
Portfolio hedge, Eksportfinans ASA	–7	–36
Associated undertakings in Life, reported as Net result from items at fair value	14	10
Share in earnings	**86**	**67**

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

EURm	31 Dec 2013	31 Dec 2012
Total assets	5,069	6,975
Total liabilities	4,067	5,734
Operating income	588	455
Operating profit	78	98

Nordea has issued contingent liabilities of EUR 1,052m (EUR 731m) on behalf of associated undertakings.

G19 Investments in associated undertakings, cont.

31 Dec 2013	Registration number	Domicile	Carrying amount 2013, EURm	Carrying amount 2012, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	184	129	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	197	193	49
Suomen Luotto-osuuskunta	0201646–0	Helsinki	25	46	27
LR Realkredit A/S	26045304	Copenhagen	10	13	39
Realia Holding Oy	2106796-8	Helsinki	20	20	25
Samajet Nymøllevej 59–91	24247961	Ballerup	21	20	25
E-nettet Holding A/S	28308019	Copenhagen	2	2	20
Hovedbanens Forretningscenter K/S	16301671	Ballerup	15	14	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	9	9	33
Axel IKU Invest A/S	24981800	Copenhagen	—	1	33
Automatia Pankkiautomaatit Oy	0974651–1	Helsinki	8	8	33
KIFU-AX II A/S	25893662	Copenhagen	0	3	25
Bankernas Kontantservice A/S	33077599	Copenhagen	1	3	20
Bluegarden A/S (former Multidata Holding A/S)	27226027	Ballerup	3	0	29
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
Nets Holding A/S	27225993	Ballerup	108	99	21
NF Fleet Oy	2006935–5	Espoo	3	2	20
Upplysningscentralen UC AB	556137–5113	Stockholm	3	3	26
Bankomat AB (former BAB Bankernas Automatbolag AB)	556817–9716	Stockholm	5	6	20
Other			10	8	
Total			**630**	**585**	

G20 Intangible assets

EURm	31 Dec 2013	31 Dec 2012
Goodwill allocated to cash generating units[1]		
Retail Banking Norway	847	958
Retail Banking Denmark	590	590
Retail Banking Sweden	231	237
Retail Banking Poland	—	66
Life & Pensions	309	310
Banking Russia	247	277
Shipping, Offshore & Oil services	197	218
Goodwill, total	**2,421**	**2,656**
Other intangible assets		
Computer software	757	694
Other intangible assets	68	75
Other intangible assets, total	**825**	**769**
Intangible assets, total	**3,246**	**3,425**

1) Excluding goodwill in associated undertakings.

Goodwill		
Acquisition value at beginning of year	2,657	2,576
Reclassification to assets held for sale	–65	—
Translation differences	–170	81
Acquisition value at end of year	**2,422**	**2,657**
Accumulated impairment charges at beginning of year	–1	–1
Accumulated impairment charges at end of year	**–1**	**–1**
Total	**2,421**	**2,656**

G20 Intangible assets, cont.

EURm	31 Dec 2013	31 Dec 2012
Computer software		
Acquisition value at beginning of year	1,041	854
Acquisitions during the year	191	171
Sales/disposals during the year	–4	–1
Reclassifications	–12	0
Translation differences	–32	17
Acquisition value at end of year	**1,184**	**1,041**
Accumulated amortisation at beginning of year	–305	–195
Amortisation according to plan for the year	–89	–106
Accumulated amortisation on sales/disposals during the year	3	0
Reclassifications	2	0
Translation differences	9	–4
Accumulated amortisation at end of year	**–380**	**–305**
Accumulated impairment charges at beginning of year	–42	–8
Impairment charges during the year	–17	–38
Reclassifications	9	4
Translation differences	3	0
Accumulated impairment charges at end of year	**–47**	**–42**
Total	**757**	**694**
Other intangible assets		
Acquisition value at beginning of year	215	216
Reclassification to assets held for sale	–13	—
Acquisitions during the year	13	6
Sales/disposals during the year	–3	–11
Reclassifications	–14	–2
Translation differences	6	6
Acquisition value at end of year	**204**	**215**
Accumulated amortisation at beginning of year	–136	–117
Reclassification to assets held for sale	10	—
Amortisation according to plan for the year	–30	–24
Accumulated amortisation on sales/disposals during the year	3	9
Reclassifications	15	1
Translation differences	3	–5
Accumulated amortisation at end of year	**–135**	**–136**
Accumulated impairment charges at beginning of year	–4	–4
Reclassification to assets held for sale	3	—
Accumulated impairment charges at end of year	**–1**	**–4**
Total	**68**	**75**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows in the near future (generally between 3–5 years) are based on financial forecasts, derived from forecasted margins, volumes and cost development. These input variables are based on historical data adjusted to reflect Nordea's assumptions about the future. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. For impairment testing, a growth rate of 2.5% (2.5%) has been used for all Nordic cash generating units. For cash generating units in Poland and Russia, 4.0% (3.0%) and 4.5% (4.5%) have been used. Growth rates are based on historical data, updated to reflect the current situation.

Cash flows include normalised loan losses.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The post-tax discount rate used for the impairment test 2013 is 8.5% (8.5%), which equals a pre-tax rate of 11.3% (11.3%). For operations in Poland, an additional risk premium of 170 (150) basis points has been applied and for Russia an additional risk premium of 250 (225) basis points has been applied.

The impairment tests conducted in 2013 did not indicate any need for goodwill impairment. See Note G1 section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage points are considered to be reasonably possible changes in key assumptions. Such a change would not result in an impairment in any of the cash generating units, except for the Life business in Poland. An increase in the discount rate by 1 percentage point would result in an impairment of EUR 11m and a decrease in the growth rate by 1 percentage point would result in an impairment of EUR 6m in Life Poland.

G21 Property and equipment

EURm	31 Dec 2013	31 Dec 2012
Equipment	366	401
Land and buildings	65	73
Total	**431**	**474**
Equipment		
Acquisition value at beginning of year	1,022	960
Reclassified to assets held for sale	–50	—
Acquisitions during the year	140	139
Through mergers	–2	—
Sales/disposals during the year	–79	–59
Reclassifications	–49	–47
Translation differences	–29	29
Acquisition value at end of year	**953**	**1,022**
Accumulated depreciation at beginning of year	–619	–551
Reclassified to assets held for sale	29	—
Through mergers	1	—
Accumulated depreciation on sales/disposals during the year	60	43
Reclassifications	15	13
Depreciations according to plan for the year	–91	–110
Translation differences	22	–14
Accumulated depreciation at end of year	**–583**	**–619**
Accumulated impairment charges at beginning of year	–2	–12
Reclassification	1	10
Impairment charges during the year	–3	—
Accumulated impairment charges at end of year	**–4**	**–2**
Total	**366**	**401**
Land and buildings		
Acquisition value at beginning of year	82	81
Reclassified to assets held for sale	–10	—
Acquisitions during the year	1	1
Sales/disposals during the year	–1	–1
Reclassifications	0	–1
Translation differences	–4	2
Acquisition value at end of year	**68**	**82**
Accumulated depreciation at beginning of year	–9	–9
Reclassified to assets held for sale	6	—
Accumulated depreciation at end of year	**–3**	**–9**
Total	**65**	**73**

G22 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 2013	31 Dec 2012
Gross investments	7,751	7,986
Less unearned finance income	–343	–464
Net investments in finance leases	**7,408**	**7,522**
Less unguaranteed residual values accruing to the benefit of the lessor	–73	–81
Present value of future minimum lease payments receivable	**7,335**	**7,441**
Accumulated allowance for uncollectible minimum lease payments receivable	10	5

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

	31 Dec 2013	
EURm	Gross Investment	Net Investment
2014	1,829	1,801
2015	1,908	1,792
2016	1,557	1,512
2017	826	795
2018	599	566
Later years	1,032	942
Total	**7,751**	**7,408**

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 2013
2014	8
2015	6
2016	4
2017	2
2018	0
Later years	0
Total	**20**

Nordea as a lessee

Finance leases

Nordea has only to a minor extent entered into finance lease agreements. The carrying amount of assets subject to finance leases amounts to EUR 27m (EUR 30m).

Operating leases

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

Leasing expenses during the year, EURm	31 Dec 2013	31 Dec 2012
Leasing expenses during the year	–250	–246
– of which minimum lease payments	–227	–240
– of which contingent rents	–23	–6
Leasing income during the year regarding sublease payments	8	7

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

EURm	31 Dec 2013
2014	194
2015	150
2016	118
2017	102
2018	87
Later years	389
Total	**1,040**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 16m.

G23 Investment property

Movement in the balance sheet

EURm	31 Dec 2013	31 Dec 2012
Carrying amount at beginning of year	3,408	3,644
Acquisitions during the year	504	116
Sales/disposals during the year	–219	–181
Net gains or losses from fair value adjustments	–40	–48
Transfers/reclassifications during the year	–5	–3
Translation differences	–124	–120
Carrying amount at end of year	**3,524**	**3,408**

Amounts recognised in the income statement[1]

EURm	2013	2012
Rental income	236	244
Direct operating expenses that generate rental income	–45	–59
Direct operating expenses that did not generate rental income	–8	–2

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

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment property.

Approximately 80% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 20% of the investment properties, appraisals were obtained from independent external valuers.

Geographical information

31 Dec 2013, EURm	Carrying amount
Denmark	1,674
Norway	899
Finland	690
Sweden	76
Other	185
Total	**3,524**

Yield requirements, average	Denmark	Norway	Finland	Sweden
Department stores, multistorey, car parks and hotels	7.6%	6.4%	6.0%	6.8%
Office buildings	6.1%	6.5%	6.5%	—
Apartment buildings	5.8%	6.1%	5.3%	4.3%
Other	—	7.3%	7.8%	6.5%

G24 Other assets

EURm	31 Dec 2013	31 Dec 2012
Claims on securities settlement proceeds	2,977	5,299
Cash/margin receivables	6,122	7,810
Other	1,965	2,445
Total	**11,064**	**15,554**

G25 Prepaid expenses and accrued income

EURm	31 Dec 2013	31 Dec 2012
Accrued interest income	1,123	1,302
Other accrued income	477	451
Prepaid expenses	783	806
Total	**2,383**	**2,559**

G26 Deposits by credit institutions

EURm	31 Dec 2013	31 Dec 2012
Central banks	12,632	8,699
Banks	30,699	30,647
Other credit institutions	15,759	16,080
Total	**59,090**	**55,426**

G27 Deposits and borrowings from the public

EURm	31 Dec 2013	31 Dec 2012
Deposits from the public	172,331	182,061
Borrowings from the public	28,412	18,617
Total	**200,743**	**200,678**

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included. Portfolio schemes in Nordea Bank Danmark A/S of EUR 4,302m (EUR 3,891m) are also included in Deposits.

G28 Liabilities to policyholders

EURm	31 Dec 2013	31 Dec 2012
Traditional life insurance provisions	20,613	23,399
– of which guaranteed provisions	20,520	23,266
– of which non-guaranteed provisions	93	133
Unit-linked insurance provisions	9,321	7,169
– of which guaranteed provisions	290	285
– of which non-guaranteed provisions	9,031	6,884
Insurance claims provision	420	463
Provisions, Health & personal accident	238	259
Total insurance contracts	**30,592**	**31,290**
Investment contracts	13,737	12,106
– of which guaranteed provisions	3,431	3,786
– of which non-guaranteed provisions	10,306	8,320
Collective bonus potential	2,897	1,924
Total	**47,226**	**45,320**

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 2013, EURm	Traditional life insurance provisions	Unit–linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident	Investment contracts provisions	Collective bonus potentials	Total
Provisions/bonus potentials, beginning of year	**23,399**	**7,169**	**463**	**259**	**12,106**	**1,924**	**45,320**
Gross premiums written	1,090	1,571	—	—	3,615	—	6,276
Reclassification to liabilities held for sale	–6	–188	–13	–4	–305	—	–516
Transfers	363	–345	—	—	–484	—	–466
Addition of interest/investment return	523	413	—	—	1,119	—	2,055
Claims and benefits	–2,377	–641	–24	–4	–1,866	—	–4,912
Expense loading including addition of expense bonus	–113	–64	—	—	–83	—	–260
Change in provisions/bonus potential	0	0	—	–9	—	1,027	1,018
Other	–1,593	1,445	—	—	7	–12	–153
Translation differences	–673	–39	–6	–4	–372	–42	–1,136
Provisions/bonus potentials, end of year	**20,613**	**9,321**	**420**	**238**	**13,737**	**2,897**	**47,226**
Provision relating to bonus schemes/ discretionary participation feature:	99%				20%		

31 Dec 2012, EURm	Traditional life insurance provisions	Unit–linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident	Investment contracts provisions	Collective bonus potentials	Total
Provisions/bonus potentials, beginning of year	**23,572**	**4,899**	**428**	**277**	**10,226**	**1,313**	**40,715**
Gross premiums written	1,833	1,112	—	—	2,582	—	5,527
Transfers	–1,055	1,135	—	—	–166	—	–86
Addition of interest/investment return	573	580	—	—	1,157	—	2,310
Claims and benefits	–2,373	–513	30	–34	–1,744	—	–4,634
Expense loading including addition of expense bonus	–82	–47	—	—	–85	—	–214
Change in provisions/bonus potential	—	—	—	13		584	597
Other	711	–16	—	—	–100	4	599
Translation differences	220	19	5	3	236	23	506
Provisions/bonus potentials, end of year	**23,399**	**7,169**	**463**	**259**	**12,106**	**1,924**	**45,320**
Provision relating to bonus schemes/ discretionary participation feature:	98%				25%		

G28 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 2013		31 Dec 2012	
Sensitivites EURm	Effect on policyholders	Effect on Nordea's own account	Effect on policyholders	Effect on Nordea's own account
Mortality – increased living with 1 year	–179.9	–76.7	–149.3	–130.5
Mortality – decreased living with 1 year	252.5	–0.5	270.9	9.4
Disability – 10% increase	–27.0	–21.7	–24.2	–14.1
Disability – 10% decrease	43.6	5.3	35.8	0.1
50 bp increase in interest rates	–415.5	12.2	–486.1	4.0
50 bp decrease in interest rates	517.1	–12.2	369.6	–4.4
12% decrease in all share prices	–1,027.3	–42.5	–844.8	–9.1
8% decrease in property value	–241.1	–2.1	–192.5	–30.8
8% loss on counterparts	–24.1	–1.1	–67.1	–0.2

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

31 Dec 2013, EURm	Non	0 pct.	0 to 3 pct.	3 to 5 pct.	Over 5 pct.	Total liabilities
Technical provision	19,429	3,885	12,166	8,048	143	43,671

31 Dec 2012, EURm	Non	0 pct.	0 to 3 pct.	3 to 5 pct.	Over 5 pct.	Total liabilities
Technical provision	15,336	4,081	13,186	9,568	503	42,674

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

G29 Debt securities in issue

EURm	31 Dec 2013	31 Dec 2012
Certificates of deposit	16,329	18,627
Commercial papers	35,975	38,524
Bond loans	133,208	126,649
Other	90	108
Total	**185,602**	**183,908**

G30 Other liabilities

EURm	31 Dec 2013	31 Dec 2012
Liabilities on securities settlement proceeds	2,458	7,758
Sold, not held, securities	10,995	6,136
Accounts payable	186	225
Cash/margin payables	5,867	5,787
Other	5,231	4,867
Total	**24,737**	**24,773**

G31 Accrued expenses and prepaid income

EURm	31 Dec 2013	31 Dec 2012
Accrued interest	1,999	2,185
Other accrued expenses	1,331	1,330
Prepaid income	347	388
Total	**3,677**	**3,903**

G32 Provisions

EURm	31 Dec 2013	31 Dec 2012
Reserve for restructuring costs	89	109
Transfer risk, off-balance	12	19
Individually assessed guarantees and other commitments	49	65
Tax	2	132
Other	25	64
Total	**177**	**389**

EURm	Restructuring	Transfer risk	Guarantees/ commitments	Tax	Other	Total
At beginning of year	109	19	65	132	64	389
Reclassified to liabilities held for sale	–5	—	—	—	—	–5
New provisions made	18	4	21	4	7	54
Provisions utilised	–26	—	–10	–133	–13	–182
Reversals	–4	–11	–26	—	–30	–71
Reclassifications	–1	—	—	—	–2	–3
Translation differences	–2	0	–1	–1	–1	–5
At end of year	**89**	**12**	**49**	**2**	**25**	**177**

Provisions for restructuring costs amounts to EUR 89m and covers termination benefit (EUR 83m) and other provisions mainly related to redundant premises (EUR 6m). The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this Nordea plans to reduce the number of employees, partly through close down of branches. The majority of the provision is expected to be used during 2014-2015. As with any other provision there is an uncertainty around timing and amount, which is expected to decrease as the plan is being executed.

Provision for Transfer risk of EUR 12m is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note G13. Provision for transfer risk is depending on the volume of business with different countries.

Loan loss provisions for individually assessed guarantees and other commitments amounted to EUR 49m.

Provision for legal disputes amounts to EUR 13m (EUR 8m expected to be settled 2014) and other provisions to EUR 12m (EUR 4m expected to be settled 2014).

G33 Retirement benefit obligations

EURm	31 Dec 2013	31 Dec 2012
Defined benefit plans, net	13	327
Total	**13**	**327**

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 is 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 final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follows the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follows the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus. Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to secure the level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumption. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

No significant plan amendments, curtailments and settlements have been made during the year.

IAS 19 pension calculations and assumptions

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

Assumptions[1]	Swe	Nor	Fin	Den
2013				
Discount rate[2]	3.75%	4.00%	3.50%	3.50%
Salary increase	2.50%	3.00%	2.50%	2.50%
Inflation	1.50%	2.00%	1.50%	2.00%
2012				
Discount rate[2]	3.50%	4.00%	3.50%	3.50%
Salary increase	2.50%	3.00%	3.00%	2.50%
Inflation	1.50%	2.00%	2.00%	2.00%

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

2) More information on the discount rate can be found in Note G1, section 22. The sensitivities to changes in the discount rate can be found below.

Sensitivities – Impact on Pension Benefit Obligation (PBO) %	Swe	Nor	Fin	Den
Discount rate – Increase 50bps	–7.1%	–6.7%	–6.3%	–4.9%
Discount rate – Decrease 50bps	8.0%	7.6%	7.2%	5.3%
Salary increase – Increase 50bps	2.3%	2.4%	0.4%	5.4%
Salary increase – Decrease 50bps	–1.5%	–2.1%	–0.4%	–5.0%
Inflation – Increase 50bps	7.1%	6.1%	4.3%	—
Inflation – Decrease 50bps	–6.2%	–5.6%	–4.0%	—

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2012 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 PBO in Denmark.

G33 Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2013	Nor 2013	Fin 2013	Den 2013	Total 2013	Total 2012
Obligations	1,368	829	818	115	3,130	3,452
Plan assets	1,412	650	927	128	3,117	3,125
Net liability(–)/asset(+)	**44**	**–179**	**109**	**13**	**–13**	**–327**
– of which retirement benefit liabilities	119	179	25	11	334	469
– of which retirement benefit assets	163	—	134	24	321	142

Changes in the obligation

EURm	Swe 2013	Nor 2013	Fin 2013	Den 2013	Total 2013	Total 2012
Opening balance	1,496	945	894	117	3,452	3,580
Current service cost	27	19	3	0	49	64
Interest cost	51	33	30	4	118	124
Pensions paid	–74	–38	–42	–8	–162	–165
Past service cost and settlements	–2	–3	–1	—	–6	–36
Remeasurement from changes in demographic assumptions	—	4	–1	1	4	0
Remeasurement from changes in financial assumptions	–54	—	–48	—	–102	–187
Remeasurement from experience adjustments	–4	–8	–15	1	–26	30
Translation differences	–45	–115	–2	0	–162	120
Change in provision for SWT/SSC[1]	–27	–8	—	—	–35	–78
Closing balance	**1,368**	**829**	**818**	**115**	**3,130**	**3,452**

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 years in Sweden, 14 years in Norway, 14 years in Finland and 11 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.

Changes in the fair value of plan assets

EURm	Swe 2013	Nor 2013	Fin 2013	Den 2013	Total 2013	Total 2012
Opening balance	1,404	673	916	132	3,125	2,848
Interest income (calculated using the discount rate)	49	26	31	5	111	106
Pensions paid	—	–19	–42	–8	–69	–72
Settlements	—	–1	1	—	0	–4
Contributions by employer	12	45	10	—	67	18
Remeasurement (actual return less interest income)	–8	12	13	–1	16	142
Translation differences	–45	–86	–2	0	–133	87
Closing balance	**1,412**	**650**	**927**	**128**	**3,117**	**3,125**

Asset composition

The combined return on assets in 2013 was 4.1% (8.7%). Main drivers were positive returns on equities, credit investment and real estate whereas sovereign bonds subtracted from the result. At the end of the year the equity exposure in pension funds/foundations represented 25% (21%) of total assets.

G33 Retirement benefit obligations, cont.

Asset composition in funded schemes	Swe 2013	Nor 2013	Fin 2013	Den 2013	Total 2013	Total 2012
Bonds	73%	52%	58%	82%	65%	67%
– sovereign	35%	41%	37%	46%	38%	51%
– covered bonds	25%	11%	5%	36%	17%	8%
– corporate bonds	13%	—	16%	—	10%	8%
– issued by Nordea entities	—	11%	—	25%	3%	1%
– with quoted market price in an active market	73%	52%	58%	82%	65%	67%
Equity	25%	26%	27%	17%	25%	21%
– domestic	8%	7%	9%	17%	8%	7%
– european	7%	8%	8%	—	7%	6%
– US	6%	7%	6%	—	6%	5%
– emerging	4%	4%	4%	—	4%	3%
– with quoted market price in an active market	25%	26%	27%	17%	25%	21%
Real estate[1]	—	14%	13%	—	7%	7%
– occupied by Nordea	—	—	4%	—	1%	1%
Cash and cash equivalents	2%	8%	2%	1%	3%	5%

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

The Group expects to contribute EUR 51m to its defined benefit plans in 2014.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 61m (EUR 66m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7).

Recognised in the income statement, EURm	Swe 2013	Nor 2013	Fin 2013	Den 2013	Total 2013	Total 2012
Current service cost	27	19	3	0	49	64
Net interest	2	7	–1	–1	7	18
Past service cost and settlements	–2	–2	–2	—	–6	–32
SWT/SSC[1]	8	3	—	—	11	16
Pension cost on defined benefit plans (expense+/income–)	**35**	**27**	**0**	**–1**	**61**	**66**

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

Compared with the pension cost 2012, excluding past service cost, the pension cost has decreased in 2013. Mainly as a consequence of the change of actuarial assumptions at the end of 2012.

Recognised in other comprehensive income, EURm	Swe 2013	Nor 2013	Fin 2013	Den 2013	Total 2013	Total 2012
Remeasurement from changes in demographic assumptions	—	4	–1	1	4	0
Remeasurement from changes in financial assumptions	–54	—	–48	—	–102	–187
Remeasurement from experience adjustments	–4	–8	–15	1	–26	30
Remeasurement of plan assets (actual return less interest income)	8	–12	–13	1	–16	–142
SWT/SSC[1]	–13	–2	—	—	–15	–63
Pension cost on defined benefit plans (expense+/income–)	**–63**	**–18**	**–77**	**3**	**–155**	**–362**

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

G33 Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well as provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2013 is 2% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages and base amounts from the previous year, excluding employees over the age of 62. Total premiums paid in 2013 amounts to EUR 2m. Payments to the plan during 2013 covered 2,958 employees. The premium rate for 2014 will be 2.2% 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 2014 amounts to EUR 2.7m.

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 35m (EUR 36m) 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 2013 were EUR 2m (EUR 2m). Complete information concerning key management personnel is disclosed in Note G7.

G34 Subordinated liabilities

EURm	31 Dec 2013	31 Dec 2012
Dated subordinated debenture loans	4,107	5,160
Undated subordinated debenture loans	574	666
Hybrid capital loans	1,864	1,971
Total	**6,545**	**7,797**

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.

G35 Assets pledged as security for own liabilities

EURm	31 Dec 2013	31 Dec 2012
Assets pledged for own liabilities		
Lease agreements	—	77
Securities etc[1]	19,944	20,753
Loans to the public	128,766	110,964
Other assets pledged	25,708	28,130
Total	**174,418**	**159,924**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	9,892	12,300
Deposits and borrowings from the public	11,681	9,029
Derivatives	5,990	8,044
Debt securities in issue	92,176	86,653
Other liabilities and commitments	20,203	21,241
Total	**139,942**	**137,267**

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 G45, 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.

G36 Other assets pledged

EURm	31 Dec 2013	31 Dec 2012
Other assets pledged[1]		
Securities etc.	7,412	10,281
Other assets pledged	55	63
Total	**7,467**	**10,344**

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

Securities etc. includes interest-bearing securities pledged as security for payment settlements within the central banks and clearing institutions. The terms and conditions require day to day security and relate to liquidity intraday/over night. Other assets pledged relate to pledged deposits.

G37 Contingent liabilities

EURm	31 Dec 2013	31 Dec 2012
Guarantees		
– Loan guarantees	3,560	4,016
– Other guarantees	15,409	14,828
Documentary credits	1,831	2,231
Other contingent liabilities	70	82
Total	**20,870**	**21,157**

In the normal business Nordea issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the bank's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7.

Legal proceedings

Within the framework of the normal business operations, 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.

G38 Commitments

EURm	31 Dec 2013	31 Dec 2012
Future payment obligations	422	545
Credit commitments[1]	78,332	84,914
Other commitments	845	749
Total	**79,599**	**86,208**

1) Including unutilised portion of approved overdraft facilities of EUR 44,053m (EUR 45,796m).

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2013 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2013. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about derivatives, see Note G17 and about reverse repos, see Note G45.

G39 Insurance activities

Operating profit, insurance

EURm	2013	2012
Operating income[1]		
Fee and commission income	400	335
Fee and commission expense	–134	–124
Net fee and commission income	**266**	**211**
Net result on items at fair value	219	279
Operating income	**485**	**490**
Operating expenses		
Staff costs	–123	–117
Other expenses	–82	–79
Depreciation, amortisation and impairment charges of tangible and intangible assets	–11	–14
Total operating expenses	**–216**	**–210**
Operating profit, insurance	**269**	**280**

1) Before allocations and elimination of intra-group transactions.

Operating profit, insurance

EURm	2013	2012
Technical result		
Premiums written	6,375	5,149
Investment income, investment contracts	1,120	1,136
Investment income, insurance contracts	1,583	2,470
Other technical income	126	128
Claims paid	–4,912	–4,278
Change in technical provisions, investment contracts	–2,374	–1,766
Change in technical provisions, insurance contracts	–286	–1,667
Change in collective bonus potential	–1,046	–582
Operating expenses	–341	–331
Technical result	**245**	**259**
Non-technical investment income	24	21
Operating profit	**269**	**280**

Balance sheet

EURm	31 Dec 2013	31 Dec 2012
Assets		
Cash and balances with central banks	0	1
Loans to the public	0	571
Loans to credit institutions	1,686	1,802
Interest bearing securities	23,243	25,405
Shares and participations	23,292	19,096
Derivatives	692	752
Participating interests	240	234
Intangible assets	324	332
Tangible assets	23	27
Investment property	3,367	3,261
Deferred tax assets	8	16
Current tax assets	2	—
Retirement benefit assets	—	7
Other assets	490	559
Prepaid expenses and accrued income	204	545
Assets held for sale	673	—
Total assets	**54,244**	**52,608**
– of which intra-group transactions	4,245	4,973
Liabilities		
Deposits by credit institutions and central banks	2,992	1,999
Deposits and borrowings from the public	0	387
Liabilities to Life insurance policyholders	47,226	45,320
Derivatives	516	518
Current tax liabilities	106	65
Other liabilities	330	1,652
Accrued expenses and deferred income	140	212
Deferred tax liabilities	251	294
Provisions	3	6
Retirement benefit obligation	11	8
Subordinated liabilities	515	530
Liabilities held for sale	646	—
Total liabilities	**52,736**	**50,991**
Equity	**1,508**	**1,617**
Total liabilities and equity	**54,244**	**52,608**
– of which intra-group transactions	2,907	3,294

G40 Capital adequacy

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

Over the years, amendments have been made to the first version of the CRD regulation. The amendments were implemented at the end of 2010 and 2011 and strengthened the large exposure regime, increased the quality of the capital base and added stricter securitisation regulation. The final version of the Capital Requirement Directive (CRD IV) and Capital Requirement Regulation (CRR) which was published in June 2013, 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. The Directive will be implemented through national law whitin all EU countries during 2014 , while the Regulation will be applicable in all EU countries from 1 January 2014.

The Basel II framework is built on three Pillars:

- Pillar I – requirements for the calculation of RWA and capital requirements
- Pillar II – rules for the Supervisory Review Process (SRP), including the Internal Capital Adequasy 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 buiness 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 2014, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialouge with the supervisory authorities.

The disclosures in this note cover the Nordea Financial Group as defined on page 148. The comparative figures have not been restated for IAS 19. All disclosures are made for total operations.

Bridge between IFRS equity and core tier 1 capital

EURm	31 Dec 2013	31 Dec 2012
Balance sheet equity	29,209	28,216
Adjustment NLP & AFS	–859	–949
Subtotal	**28,350**	**27,267**
Dividend	–1,734	–1,370
Goodwill	–2,176	–2,346
Intangible assets	–811	–748
Deferred taxes	–68	–201
Cash Flow hedges	19	16
Shortfall deduction (50%)	–369	–554
Deduction for investments in credit institutions (50%)	–99	–103
Core tier 1 capital	**23,112**	**21,961**

Items included in the capital base

EURm	31 Dec 2013	31 Dec 2012
Tier 1 capital		
Paid-up capital	4,050	4,050
Share premium	1,080	1,080
Eligible capital	**5,130**	**5,130**
Reserves	20,120	19,028
Minority interests	2	5
Income from current year	3,116	3,120
Eligible reserves	**23,238**	**22,153**
Core tier 1 capital (before deductions)	**28,368**	**27,283**
Subordinated capital loans	**1,949**	**1,992**
Deductions for investments in insurance companies (50%)	–616	—
Proposed/actual dividend	–1,734	–1,370
Deferred tax assets	–68	–201
Intangible assets	–2,987	–3,094
Deductions for investments in credit institutions	–99	–103
IRB provisions shortfall (–)	–369	–554
Deductions	**–5,873**	**–5,322**
Tier 1 capital (net after deductions)	**24,444**	**23,953**
– of which hybrid capital	1,949	1,992
– of which deductions for investments in insurance companies (50%)	–616	—
– of which core tier 1 capital (net of deductions)	23,112	21,961
Tier 2 capital		
Undated sudordinated loans	682	708
Dated sudordinated loans	4,107	4,676
Other additional own funds	81	56
Tier 2 capital (before deductions)	**4,870**	**5,440**
Deductions for investments in credit institutions	–99	–103
IRB provisions excess (+)/shortfall (–)	–369	–554
Deductions	**–468**	**–657**
Tier 2 capital (net after deductions)	**4,402**	**4,783**
Deductions for investments in insurance companies (50%)	–616	–1,236
Pension assets in excess of related liabilities	–190	–226
Capital base	**28,040**	**27,274**

G40 Capital adequacy, cont.

Core tier 1 capital and tier 1 capital

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

Eligible capital and eligible reserves

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

Tier 1 instruments comprise only 8% of tier 1 capital in Nordea; that is, the predominant share of tier 1 capital consists of capital considered as of the highest quality.

Tier 1 instruments subject to limits

The inclusion of undated subordinated loans in tier 1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument.

Undated subordinated loans may be repaid only upon decision by the Board of Directors in Nordea and with the permission of the Swedish FSA. Further, there are restrictions related to step-up conditions, order of priority, and interest payments under constraint conditions. Currently, the inclusion of undated subordinated capital as a component of tier 1 capital is limited by regulation to 50% net of relevant deductions. For the tier 1 loans, conditions specify appropriation in order to avoid being obliged to enter into liquidation. To the extent that may be required to avoid liquidation, the principal amounts of tier 1 loans (together with accrued interest) would be written down and converting such amount into a conditional capital contribution.

Tier 2 capital

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

Tier 2 subordinated loans

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

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

During 2013 Nordea called EUR 500m of its tier 2 loan. As of year-end, Nordea held EUR 4.1bn in dated subordinated loans and EUR 0.7bn in undated subordinated loans.

The table below shows the carrying outstanding amounts of undated and dated loans included in the capital base. Call date is where the issuer has the legal right to redeem outstanding loan amounts according the terms of agreement. The loans and the principles for time-reductions follow Swedish legislation. The carrying amounts in the table may deviate from capital amounts used in the capital base due to swap arrangements and adjustments for maturities.

Other tier 2 capital

Other additional funds consists of adjustment to valuation differences in available for sale equities transferred to core additional own funds. Unrealised gains from equity holdings classified as available for sale securities can according to regulation only be included in tier 2 capital.

G40 Capital adequacy, cont.

Dated and undated loans

Dated loans, tier 2

Issuer	Carrying amount EURm	Capital base 31 Dec 2013	Start	Maturity	Call date	Step-up
Nordea Bank AB	899	899	2011	May 2021		N
Nordea Bank AB	747	747	2012	Feb 2022	Feb 2017	N
Nordea Bank AB	996	996	2010	Mar 2020		N
Nordea Bank AB	747	747	2010	Mar 2021		N
Nordea Bank AB	718	718	2012	Sep 2022		N
Total dated loans	**4,107**	**4,107**				

Undated loans, tier 1

Issuer	Carrying amount EURm	Capital base 31 Dec 2013	Start	Maturity	Call date	Step-up
Nordea Bank AB	361	386	2009	n/a	Mar 2015	Y
Nordea Bank AB	361	361	2009	n/a	Mar 2015	Y
Nordea Bank AB	435	484	2005	n/a	Apr 2015	Y
Nordea Bank AB	138	145	2005	n/a	Mar 2035	Y
Nordea Bank AB	69	73	2005	n/a	Oct 2035	Y
Nordea Bank AB	500	500	2004	n/a	Mar 2014[1]	N
Total undated loans, tier 1	**1,864**	**1,949**				

Undated loans, tier 2

Issuer	Carrying amount EURm	Capital base 31 Dec 2013	Start	Maturity	Call date	Step-up
Nordea Bank Norway ASA	145	145	1986	n/a	May 2014[1]	N
Nordea Bank Finland Plc	360	468	2004	n/a	Jul 2014	Y
Nordea Bank Finland Plc	69	69	1999	n/a	Feb 2029	Y
Total undated loans, tier 2	**574**	**682**				

Total	**6,545**	**6,738**

1) First call date has passed.

G40 Capital adequacy, cont.

Capital requirements and RWA

EURm	31 Dec 2013 Capital requirement	31 Dec 2013 Basel II RWA	31 Dec 2012 Capital requirement	31 Dec 2012 Basel II RWA
Credit risk	**10,376**	**129,705**	**11,627**	**145,340**
IRB foundation	8,965	112,061	9,764	122,050
– of which corporate	6,787	84,844	7,244	90,561
– of which institutions	468	5,848	671	8,384
– of which retail SME	104	1,298	915	11,439
– of which retail mortgage	862	10,772	721	9,007
– of which retail other	622	7,778	101	1,264
– of which other	122	1,521	112	1,395
Standardised	1,411	17,644	1,863	23,290
– of which sovereign	34	428	34	426
– of which institution	49	611	47	583
– of which corporate	301	3,768	732	9,160
– of which retail	862	10,776	860	10,752
– of which other	165	2,061	190	2,369
Market risk	**700**	**8,753**	**506**	**6,323**
– of which trading book, Internal Approach	410	5,131	312	3,897
– of which trading book, Standardised Approach	186	2,321	138	1,727
– of which banking book, Standardised Approach	104	1,301	56	699
Operational risk	**1,344**	**16,796**	**1,298**	**16,229**
Standardised	1,344	16,796	1,298	16,229
Sub total	**12,420**	**155,254**	**13,431**	**167,892**
Adjustment for transition rules				
Additional capital requirement according to transition rules	4,318	53,969	3,731	46,631
Total	**16,738**	**209,223**	**17,162**	**214,523**

Capital requirements for market risk, 31 December 2013

EURm	Trading book, IA RWA	Trading book, IA Capital requirement	Trading book, SA RWA	Trading book, SA Capital requirement	Banking book, SA RWA	Banking book, SA Capital requirement	Total RWA	Total Capital requirement
Interest rate risk[1]	1,667	133	1,796	144	—	—	3,463	277
Equity risk	160	13	276	22	—	—	436	35
Foreign exchange risk	243	19	—	—	1,301	104	1,544	123
Commodity risk	—	—	249	20	—	—	249	20
Diversification effect	–1,061	–85	—	—	—	—	–1,061	–85
Stressed Value-at-Risk	2,698	216	—	—	—	—	2,698	216
Incremental Risk Charge	1,003	80	—	—	—	—	1,003	80
Comprehensive Risk Charge	421	34	—	—	—	—	421	34
Total	**5,131**	**410**	**2,321**	**186**	**1,301**	**104**	**8,753**	**700**

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

The Nordea Group may transfer capital within its legal entities without material restrictions. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of the Group. The guarantee schemes introduced within the EU in 2008 limit the transferability of capital under certain circumstances, which serves to impact cross-border financial groups. No such restrictions were however directly affecting Nordea as per end of 2013.

More Capital Adequacy information for the Group can be found in the Capital management section page 63 and in the Pillar III report.

G40 Capital adequacy, cont.

Specification over group undertakings consolidated/deducted from the Nordea Financial Group, 31 December 2013

Group undertakings included in the Nordea Financial Group	Number of shares	Carrying amount EURm	Voting power of holding	Domicile	Consolidation method
Nordea Bank Finland Plc	1,030,800,000	5,959	100%	Helsinki	Purchase method
Nordea Finance Finland Ltd			100%	Espoo	Purchase method
Nordea Bank Danmark A/S	50,000,000	4,010	100%	Copenhagen	Purchase method
Nordea Finans Danmark A/S			100%	Høje Taastrup	Purchase method
Nordea Kredit Realkreditaktieselskab			100%	Copenhagen	Purchase method
Fionia Asset Company A/S			100%	Copenhagen	Purchase method
Nordea Bank Norge ASA	551,358, 576	2,733	100%	Oslo	Purchase method
Nordea Eiendomskreditt AS			100%	Oslo	Purchase method
Nordea Finans Norge AS			100%	Oslo	Purchase method
Privatmegleren AS			100%	Oslo	Purchase method
Nordea Bank Polska S.A.	55,061,403	343	99.2%	Gdynia	Purchase method
OOO Promyshlennaya Companiya Vestcon	4,601,942,680	659	100%	Moscow	Purchase method
OJSC Nordea Bank			100%	Moscow	Purchase method
Nordea Hypotek AB (publ)	100,000	1,998	100%	Stockholm	Purchase method
Nordea Fonder AB	15,000	242	100%	Stockholm	Purchase method
Nordea Bank S.A.	999,999	455	100%	Luxembourg	Purchase method
Nordea Finans Sverige AB (publ)	1,000,000	124	100%	Stockholm	Purchase method
Nordea Funds Ltd	3,350	174	100%	Helsinki	Purchase method
Nordea Ejendomsinvestering A/S	1,000	29	100%	Copenhagen	Purchase method
Nordea IT Polska S.p. z.o.o	100	40	100%	Warzaw	Purchase method
Nordea Investment Management AB	12,600	237	100%	Stockholm	Purchase method
Nordea Life Holding AB	1,000	719	100%	Stockholm	Purchase method
Other companies		1			Purchase method
Total included in the capital base		**17,723**			

Group undertakings deducted from the capital base	Carrying amount EURm	Voting power of holding	Domicile
Nordea Life Holding AB, including debt from parent company	1,233	100%	Stockholm
Total group undertakings deducted from the capital base	**1,233**		
Over 10% investments in credit institutions deducted from the capital base, including debt from group undertakings			
Eksportfinans ASA	184	23%	Oslo
NF Fleet Oy	3	20%	Espoo
LR Realkredit A/S	10	39%	Copenhagen
Other	1		
Total investments in credit institutions deducted from the capital base[1]	**198**		

1) Other associated undertakings are consolidated using the equity method.

G41 Classification of financial instruments

31 Dec 2013, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Assets held for sale	Total
Assets									
Cash and balances with central banks	33,529	—	—	—	—	—	—	—	33,529
Loans to central banks	11,014	—	755	—	—	—	—	—	11,769
Loans to credit institutions	4,281	—	5,851	611	—	—	—	—	10,743
Loans to the public	250,026	—	39,159	53,266	—	—	—	—	342,451
Interest-bearing securities	—	5,359	35,326	18,627	—	28,002	—	—	87,314
Financial instruments pledged as collateral	—	—	9,575	—	—	—	—	—	9,575
Shares	—	—	9,909	23,358	—	4	—	—	33,271
Derivatives	—	—	69,045	—	1,947	—	—	—	70,992
Fair value changes of the hedged items in portfolio hedge of interest rate risk	203	—	—	—	—	—	—	—	203
Investments in associated undertakings	—	—	—	—	—	—	630	—	630
Intangible assets	—	—	—	—	—	—	3,246	—	3,246
Property and equipment	—	—	—	—	—	—	431	—	431
Investment property	—	—	—	—	—	—	3,524	—	3,524
Deferred tax assets	—	—	—	—	—	—	62	—	62
Current tax assets	—	—	—	—	—	—	31	—	31
Retirement benefit assets	—	—	—	—	—	—	321	—	321
Other assets	4,057	—	—	6,122	—	—	885	—	11,064
Prepaid expenses and accrued income	1,886	—	20	—	—	—	477	—	2,383
Assets held for sale	—	—	—	—	—	—	—	8,895	8,895
Total	**304,996**	**5,359**	**169,640**	**101,984**	**1,947**	**28,006**	**9,607**	**8,895**	**630,434**

31 Dec 2013, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Liabilities							
Deposits by credit institutions	23,064	2,743	—	33,283	—	—	59,090
Deposits and borrowings from the public	26,743	5,804	—	168,196	—	—	200,743
Liabilities to policyholders	—	13,737	—	—	33,489	—	47,226
Debt securities in issue	6,955	35,121	—	143,526	—	—	185,602
Derivatives	64,588	—	1,336	—	—	—	65,924
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	1,734	—	—	1,734
Current tax liabilities	—	—	—	—	303	—	303
Other liabilities	10,996	5,867	—	5,747	2,127	—	24,737
Accrued expenses and prepaid income	29	427	—	1,890	1,331	—	3,677
Deferred tax liabilities	—	—	—	—	935	—	935
Provisions	—	—	—	—	177	—	177
Retirement benefit liabilities	—	—	—	—	334	—	334
Subordinated liabilities	—	—	—	6,545	—	—	6,545
Liabilities held for sale	—	—	—	—	—	4,198	4,198
Total	**132,375**	**63,699**	**1,336**	**360,921**	**38,696**	**4,198**	**601,225**

G41 Classification of financial instruments, cont.

31 Dec 2012, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	36,060	—	—	—	—	—	—	36,060
Loans to central banks	7,207	—	798	—	—	—	—	8,005
Loans to credit institutions	2,911	—	6,683	975	—	—	—	10,569
Loans to the public	266,996	—	26,120	53,135	—	—	—	346,251
Interest-bearing securities	755	6,497	36,214	20,762	—	22,398	—	86,626
Financial instruments pledged as collateral	—	—	7,970	—	—	—	—	7,970
Shares	—	—	8,950	19,168	—	10	—	28,128
Derivatives	—	—	115,706	—	3,083	—	—	118,789
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–711	—	—	—	—	—	—	–711
Investments in associated undertakings	—	—	—	—	—	—	585	585
Intangible assets	—	—	—	—	—	—	3,425	3,425
Property and equipment	—	—	—	—	—	—	474	474
Investment property	—	—	—	—	—	—	3,408	3,408
Deferred tax assets	—	—	—	—	—	—	266	266
Current tax assets	—	—	—	—	—	—	78	78
Retirement benefit assets	—	—	—	—	—	—	142	142
Other assets	6,742	—	—	7,810	—	—	1,002	15,554
Prepaid expenses and accrued income	2,083	—	—	25	—	—	451	2,559
Total	**322,043**	**6,497**	**202,441**	**101,875**	**3,083**	**22,408**	**9,831**	**668,178**

31 Dec 2012, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	17,320	2,538	—	35,568	—	55,426
Deposits and borrowings from the public	16,919	7,381	—	176,378	—	200,678
Liabilities to policyholders	—	12,106	—	—	33,214	45,320
Debt securities in issue	7,572	30,864	—	145,472	—	183,908
Derivatives	113,202	—	1,001	—	—	114,203
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	1,940	—	1,940
Current tax liabilities	—	—	—	—	391	391
Other liabilities	6,136	5,787	—	10,408	2,442	24,773
Accrued expenses and prepaid income	—	470	—	2,103	1,330	3,903
Deferred tax liabilities	—	—	—	—	976	976
Provisions	—	—	—	—	389	389
Retirement benefit liabilities	—	—	—	—	469	469
Subordinated liabilities	—	—	—	7,797	—	7,797
Total	**161,149**	**59,146**	**1,001**	**379,666**	**39,211**	**640,173**

Loans designated at fair value through profit or loss

EURm	31 Dec 2013	31 Dec 2012
Carrying amount	53,877	54,110
Maximum exposure to credit risk	53,877	54,110
Carrying amount of credit derivatives used to mitigate the credit risk	—	—

G41 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 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 35,121m (EUR 30,864m), the funding of the Markets operation, EUR 14,841m (EUR 16,176m) and investment contracts in Life, EUR 13,737m (EUR 12,106m). The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant. The value of the investment contracts in Life is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

The fair value of bonds issued by Nordea Kredit Realkreditaktieselskab increased by EUR 16m (increased EUR 89m) in 2013 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 596m (decrease EUR 626m). 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 48,829m (EUR 48,091m) and lending in the Markets operation, EUR 5,048m (EUR 6,019m). The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 9m (decreased EUR 119m) in 2013 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 160m (decrease EUR 169m). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is simular 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

2013, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	63,699	63,037

2012, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	59,146	57,906

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.

G42 Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2013		31 Dec 2012	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	33,529	33,529	36,060	36,060
Loans	365,166	365,166	364,114	364,370
Interest-bearing securities	87,314	87,439	86,626	86,995
Financial instruments pledged as collateral	9,575	9,575	7,970	7,970
Shares	33,271	33,271	28,128	28,128
Derivatives	70,992	70,992	118,789	118,789
Other assets	10,179	10,179	14,552	14,552
Prepaid expenses and accrued income	1,906	1,906	2,108	2,108
Total	**611,932**	**612,057**	**658,347**	**658,972**
Financial liabilities				
Deposits and debt instruments	453,714	455,368	449,749	448,954
Liabilities to policyholders	13,737	13,737	12,106	12,106
Derivatives	65,924	65,924	114,203	114,203
Other liabilities	22,610	22,610	22,331	22,331
Accrued expenses and prepaid income	2,346	2,346	2,573	2,573
Total	**558,331**	**559,985**	**600,962**	**600,167**

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.

G42 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 2013, EURm	Quoted prices in active markets for the same instrument (Level 1)	– of which Life	Valuation technique using observable data (Level 2)	– of which Life	Valuation technique using non-observable data (Level 3)	– of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	—	—	755	—	—	—	755
Loans to credit institutions	—	—	6,462	—	—	—	6,462
Loans to the public	—	—	92,425	—	—	—	92,425
Interest-bearing securities[2]	59,276	11,641	31,745	6,882	478	104	91,499
Shares[3]	28,004	18,995	1,457	1,454	3,841	2,842	33,302
Derivatives	195	128	69,361	26	1,436	—	70,992
Investment property	—	—	—	—	3,524	3,367	3,524
Other assets	—	—	6,122	—	—	—	6,122
Prepaid expenses and accrued income	—	—	20	—	—	—	20
Total	**87,475**	**30,764**	**208,347**	**8,362**	**9,279**	**6,313**	**305,101**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	—	—	25,807	1,168	—	—	25,807
Deposits and borrowings from the public	—	—	32,547	—	—	—	32,547
Liabilities to policyholders	—	—	13,737	13,737	—	—	13,737
Debt securities in issue	35,121	—	6,955	—	—	—	42,076
Derivatives	35	—	64,490	—	1,399	—	65,924
Other liabilities	8,939	—	7,923	—	1	—	16,863
Accrued expenses and prepaid income	—	—	456	—	—	—	456
Total	**44,095**	**—**	**151,915**	**14,905**	**1,400**	**—**	**197,410**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 9,544m relates to the balance sheet item Financial instruments pledged as collateral.
3) Of which EUR 31m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2012, EURm	Quoted prices in active markets for the same instrument (Level 1)	– of which Life	Valuation technique using observable data (Level 2)	– of which Life	Valuation technique using non-observable data (Level 3)	– of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	—		798	—	—	—	798
Loans to credit institutions	34	—	7,624	—	—	—	7,658
Loans to the public	—	—	79,255	—	—	—	79,255
Interest-bearing securities[2]	57,852	16,768	28,368	5,558	1,118	719	87,338
Shares[3]	24,760	16,886	—	—	3,374	2,210	28,134
Derivatives	175	156	116,698	78	1,916	—	118,789
Other assets	—	—	7,810	—	—	—	7,810
Prepaid expenses and accrued income	—	—	25	—	—	—	25
Total	**82,821**	**33,810**	**240,578**	**5,636**	**6,408**	**2,929**	**329,807**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	—	—	19,858	—	—	—	19,858
Deposits and borrowings from the public	—	—	24,300	—	—	—	24,300
Liabilities to policyholders	—	—	12,106	12,106	—	—	12,106
Debt securities in issue	30,864	—	7,572	—	—	—	38,436
Derivatives	53	—	112,566	—	1,584	—	114,203
Other liabilities	4,873	—	7,050	—	—	—	11,923
Accrued expenses and prepaid income	—	—	470	—	—	—	470
Total	**35,790**	**—**	**183,922**	**12,106**	**1,584**	**—**	**221,296**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,964m relates to the balance sheet item Financial instruments pledged as collateral.
3) Of which EUR 6m relates to the balance sheet item Financial instruments pledged as collateral.

G42 Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

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

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

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds and investment properties. This is generally also the case for more complex OTC derivatives, including OTC derivatives where less active markets supply input to the valuation techniques or models, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

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

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

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

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

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. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio's counterparty credit risk and liquidity risk. An important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

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

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

The portfolio adjustment for counterparty risk in OTC-derivatives is based on the current exposure towards each counter-

G42 Assets and liabilities at fair value, cont.

part, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart.

As from 2013 Nordea also takes into account Nordea's credit spread in the valuation of derivatives (DVA). The change in valuation did not have any significant impact on the financial statements.

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

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 2,893m (EUR 9,558m) from Level 1 to Level 2 and EUR 1,092m (EUR 1,447m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transfered shares of EUR 966m (EUR 0m) and other liabilities of EUR 1,054m (EUR 0m) from Level 1 to Level 2. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have been actively traded during the year and reliable qouted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

Movements in Level 3

			Fair value gains/losses recognised in the income statement during the year								
2013, EURm	1 Jan 2013	Reclassification	Realised	Unrealised	Purchases/ Issues	Sales	Settlements	Transfers into level 3	Transfers out of level 3	Translation differences	31 Dec 2013
Intererest-bearing securities	1,118	–498	–10	65	105	–277	–12	—	—	–13	478
– of which Life	719	–498	–14	–2	10	–97	–1	—	—	–13	104
Shares	3,374	498	299	62	967	–1,125	–72	2	–137	–27	3,841
– of which Life	2,210	498	251	52	808	–752	–69	2	–137	–21	2,842
Derivatives (net)	332	—	287	–300	—	—	–287	5	—	0	37
Investment properties	3,408	—	1	–41	502	–223	—	—	—	–123	3,524
– of which Life	3,261	—	1	–41	445	–179	—	—	—	–120	3,367
Other liabilities	—	—	–20	0	608	—	–608	21	—	—	1

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During the year Nordea transferred shares of EUR 137m (EUR 10m) from Level 3 to Level 2 and EUR 2m (EUR 25m) from Level 2 to Level 3. Nordea also transferred other liabilities of EUR 21m (EUR 0m) 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.

G42 Assets and liabilities at fair value, cont.

2012, EURm	1 Jan 2012	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Purchases /Issues	Sales	Settle-ments	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2012
Intererest-bearing securities	1,149	16	55	156	–269	6	—	—	5	1,118
– of which Life	750	22	40	57	–156	—	—	—	6	719
Shares	4,921	74	84	1,435	–3,202	–4	25	–10	51	3,374
– of which Life	3,425	91	38	1,223	–2,593	—	25	–9	10	2,210
Derivatives (net)	–289	–264	621	—	—	264	—	—	—	332

The valuation processes for fair value measurements in Level 3

Financial instruments

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

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

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

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 metholodogies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each enitity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

In addition there is a newly established 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.

G42 Assets and liabilities at fair value, cont.

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

31 Dec 2013, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value[2]
Interest-bearing securities					
Municipalities and other public bodies	29	29	Discounted cash flows	Credit spread	+/–0
Mortgage and other credit institutions[3]	359	8	Discounted cash flows	Credit spread	–20/20
Corporates	82	67	Discounted cash flows	Credit spread	–4/4
Other	8	—	—	—	–1/1
Total	**478**	**104**			**–25/25**
Shares					
Private equity funds	2,298	1,770	Net asset value[4]		
Hedge funds	458	178	Net asset value[4]		
Credit Funds	460	362	Net asset value/market consensus[4]		
Other funds	431	403	Net asset value/Fund prices[4]		
Other	194	129	—		
Total[5]	**3,841**	**2,842**			
Derivatives					
Interest rate derivatives	141	—	Option model	Correlations Volatilities	–7/5
Equity derivatives	–93	—	Option model	Correlations Volatilities Dividend	–17/11
Foreign exchange derivatives	103	—	Option model	Correlations Volatilities	+/–0
Credit derivatives	–129	—	Credit derivat model	Correlations Recovery rates	–7/9
Other	15	—	Option model	Correlations Volatilities	+/–0
Total	**37**	—			**–31/25**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.
2) Range of fair value for derivatives 31 Dec 2012 was EURm 20/–24 and for interest-bearing securities EURm 60/–60.
3) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.
4) 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 methology 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.
5) Effects of reasonably possible alternative assumptions are EURm 381/–381 (EURm 315/–315).

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.

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

The column "range of fair value" and the footnote 2 and 5 in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

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

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a range of 3-10 percentage units which are assessed to be reasonable changes in market movements.

G42 Assets and liabilities at fair value, cont.

31 Dec 2013, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Investment properties						
Denmark	1,752	1,735	Discounted cash flows	Market rent	54–350 EUR/m²/year	107 EUR/m²/year
				Yield requirement		
				Commercial	6.0%–9.0%	7.6%
				Office	4.6%–9.5%	6.1%
				Apartment	3.5%–6.3%	5.8%
Norway	899	875	Discounted cash flows	Market rent	85–850 EUR/m²/year	203 EUR/m²/year
				Yield requirement		
				Commercial	5.3%–8.5%	6.4%
				Office	5.7%–8.5%	6.5%
				Apartment	5.8%–6.5%	6.1%
				Other	6.0%–8.0%	7.3%
Finland	793	681	Discounted cash flows[2]	Market rent	88–324 EUR/m²/year	148 EUR/m²/year
				Yield requirement		
				Commercial	5.0%–7.0%	6.0%
				Office	5.0%–8.0%	6.5%
				Apartment	4.5%–6.0%	5.3%
				Other	6.5%–9.0%	7.8%
Sweden	76	76	Discounted cash flows[2]	Market rent	—	—
				Yield requirement		
				Commercial	6.8%–7.0%	6.8%
				Apartment	4.3%–4.3%	4.3%
				Other	5.0%–8.3%	6.5%
Other	4	—	Discounted cash flows	—	—	—
Total	**3,524**	**3,367**				

1) Split based on the valuation methodologies used in different countries, for split on actual geographic areas see Note G23.
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 rent or yield requirement in isolation would result in a significantly different fair value.

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 (movement of deferred Day 1 profit).

Deferred day 1 profit – derivatives EURm	31 Dec 2013	31 Dec 2012
Amount at beginning of year	24	29
Deferred profit/loss on new transactions	26	7
Recognised in the income statement during the year	–12	–12
Amount at end of year	**38**	**24**

G42 Assets and liabilities at fair value, cont.

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

31 Dec 2013, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	33,529	33,529	1
Loans	265,524	265,524	3
Interest-bearing securities	5,359	5,484	1, 2
Other assets	4,057	4,057	3
Prepaid expenses and accrued income	1,886	1,886	3
Total	**310,355**	**310,480**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	353,284	354,938	3
Other liabilities	5,747	5,747	3
Accrued expenses and prepaid income	1,890	1,890	3
Total	**360,921**	**362,575**	

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

Loans
The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rates in the portfolios. No adjustment has been made for changes in fair value of credit risk. The average probability of default (PD) for loans to credit institutions and to corporates has been relatively unchanged. However the average PDs for retail customers has decreased which is an indication of that the fair value of loans to retail customers is higher than the calculated fair value. The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities
The fair value is EUR 5,484m, of which EUR 234m is categorised in Level 1 and EUR 5,250m in Level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

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

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

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

G43 Financial instruments set off on balance or subject to netting agreements

31 Dec 2013, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	128,855	–58,132	70,723	–56,104	–1	–5,739	8,879
Reverse repurchase agreements	45,704	—	45,704	–24,267	–21,053	—	384
Securities borrowing agreements	4,397	—	4,397	—	–4,397	—	0
Total	**178,956**	**–58,132**	**120,824**	**–80,371**	**–25,451**	**–5,739**	**9,263**

31 Dec 2013, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	122,388	–58,132	64,256	–56,104	—	–4,586	3,566
Repurchase agreements	49,744	—	49,744	–24,267	–21,821	—	3,656
Securities lending agreements	3,063	—	3,063	—	–3,063	—	0
Total	**175,195**	**–58,132**	**117,063**	**–80,371**	**–24,884**	**–4,586**	**7,222**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2012, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	193,979	–76,707	117,272	–99,005	—	–6,888	11,379
Reverse repurchase agreements	33,309	—	33,309	–15,288	–17,797	—	224
Securities borrowing agreements	5,558	—	5,558	—	–5,558	—	0
Total	**232,846**	**–76,707**	**156,139**	**–114,293**	**–23,355**	**–6,888**	**11,603**

31 Dec 2012, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	188,014	–76,707	111,307	–99,005	—	–7,339	4,963
Repurchase agreements	34,514	—	34,514	–15,288	–19,141	—	85
Securities lending agreements	4,416	—	4,416	—	–4,416	—	0
Total	**226,944**	**–76,707**	**150,237**	**–114,293**	**–23,557**	**–7,339**	**5,048**

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 both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. The reason why the netted exposures are not reflected under assets and liabilities on the balance sheet, would in most instances depend on the limited application of net settlement of financial transactions.

G44 Discontinued operations and disposal group held for sale

EURm	2013	2012
Net interest income	154	189
Net fee and commission income	38	36
Other operating income	7	13
Total operating income	**199**	**238**
Total operating expenses	–118	–122
Net loan losses	–26	–38
Operating profit	**55**	**78**
Income tax expense	–13	–21
Net profit for the period from discontinued operations	**42**	**57**
Net result for the period recognised on the measurement at fair value	1	—
Transaction and transition cost (including cost to sell)[1]	–34	—
Net profit for the period from discontinued operations after measurement at fair value less cost to sell	**9**	**57**

1) Income tax of EUR 9m deducted.

Balance sheet – Condensed[1]

EURm	31 Dec 2013
Assets	
Loans to the public	6,144
Interest-bearing securities	1,534
Shares	385
Total other assets	832
Total assets held for sale	**8,895**
Liabilities	
Deposits by credit institutions	78
Deposits and borrowings from the public	3,384
Liabilities to policyholders	625
Total other liabilities	111
Total liabilities held for sale	**4,198**

1) Includes the external assets and liabilities held for sale. The external funding of the Polish operations that will remain subsequent to the transaction is not included.

The impact from discontinued operations on other comprehensive income and cash flows can be found in the statement of comprehensive income and the cash flow statement for the Group. The EPS for discontinued operations can be found in Note G12.

Discontinued operations and assets/liabilities held for sale relate to Nordea's 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 Ubezpieczen na Zycie S.A., to PKO Bank Polski. The transaction is expected to be completed during the first half of 2014 and is subject to regulatory approvals. 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 & Baltics segment.

G45 Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

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

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

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

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

EURm	31 Dec 2013	31 Dec 2012
Repurchase agreements		
Interest-bearing securities	8,703	7,964
Securities lending agreements		
Shares	31	6
Total	**8,734**	**7,970**

Liabilities associated with the assets

EURm	31 Dec 2013	31 Dec 2012
Repurchase agreements		
Deposits by credit institutions	3,154	3,082
Deposits and borrowings from the public	6,654	5,103
Securities lending agreements		
Deposits by credit institutions	84	46
Total	**9,892**	**8,231**
Net	**–1,158**	**–261**

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 2013	31 Dec 2012
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	44,908	33,092
– of which repledged or sold	38,503	14,498
Securities borrowing agreements		
Received collaterals which can be repledged or sold	3,341	4,064
– of which repledged or sold	3,341	4,053
Total	**48,249**	**37,156**

G46 Investments, customer bearing the risk

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 2013	31 Dec 2012
Assets		
Interest-bearing securities	3,417	1,837
Shares	19,994	18,288
Other assets	1,501	236
Total assets	**24,912**	**20,361**
Liabilities		
Deposits and borrowings from the public	4,302	3,891
Insurance contracts	9,508	7,168
Investment contracts	11,102	8,911
Other liabilities	—	391
Total liabilities	**24,912**	**20,361**

G47 Maturity analysis for assets and liabilities

Expected maturity

EURm	Note	31 Dec 2013 Expected to be recovered or settled: Within 12 months	After 12 months	Total	31 Dec 2012 Expected to be recovered or settled: Within 12 months	After 12 months	Total
Cash and balances with central banks		33,529	—	33,529	36,060	—	36,060
Loans to central banks	G13	11,769	—	11,769	8,005	—	8,005
Loans to credit institutions	G13	9,782	961	10,743	9,333	1,236	10,569
Loans to the public	G13	147,611	194,840	342,451	130,999	215,252	346,251
Interest-bearing securities	G14	18,736	68,578	87,314	29,211	57,415	86,626
Financial instruments pledged as collateral	G15	6,905	2,670	9,575	4,663	3,307	7,970
Shares	G16	10,162	23,109	33,271	8,855	19,273	28,128
Derivatives	G17	7,854	63,138	70,992	10,858	107,931	118,789
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	17	186	203	85	–796	–711
Investments in associated undertakings	G19	—	630	630	—	585	585
Intangible assets	G20	—	3,246	3,246	—	3,425	3,425
Property and equipment	G21	11	420	431	—	474	474
Investment property	G23	74	3,450	3,524	30	3,378	3,408
Deferred tax assets	G11	35	27	62	64	202	266
Current tax assets		31	—	31	69	9	78
Retirement benefit assets	G33	1	320	321	—	142	142
Other assets	G24	11,046	18	11,064	15,430	124	15,554
Prepaid expenses and accrued income	G25	1,862	521	2,383	2,017	542	2,559
Assets held for sale	G44	8,895	—	8,895	—	—	—
Total assets		**268,320**	**362,114**	**630,434**	**255,679**	**412,499**	**668,178**
Deposits by credit institutions	G26	57,023	2,067	59,090	50,920	4,506	55,426
Deposits and borrowings from the public	G27	192,107	8,636	200,743	192,860	7,818	200,678
Liabilities to policyholders	G28	4,032	43,194	47,226	2,475	42,845	45,320
Debt securities in issue	G29	77,165	108,437	185,602	80,288	103,620	183,908
Derivatives	G17	8,457	57,467	65,924	11,929	102,274	114,203
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	117	1,617	1,734	–183	2,123	1,940
Current tax liabilities		276	27	303	365	26	391
Other liabilities	G30	24,697	40	24,737	24,739	34	24,773
Accrued expenses and prepaid income	G31	3,616	61	3,677	3,878	25	3,903
Deferred tax liabilities	G11	134	801	935	44	932	976
Provisions	G32	60	117	177	241	148	389
Retirement benefit liabilities	G33	6	328	334	—	469	469
Subordinated liabilities	G34	360	6,185	6,545	4	7,793	7,797
Liabilities held for sale	G44	4,198	—	4,198	—	—	—
Total liabilities		**372,248**	**228,977**	**601,225**	**367,560**	**272,613**	**640,173**

G47 Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2013, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	25,973	119,862	44,907	163,641	277,298	631,681
Non interest-bearing financial assets	—	—	—	—	117,167	117,167
Non-financial assets	—	—	—	—	9,607	9,607
Total assets	**25,973**	**119,862**	**44,907**	**163,641**	**404,072**	**758,455**
Interest-bearing financial liabilities	127,522	156,843	54,318	99,313	42,088	480,084
Non interest-bearing financial liabilities	—	—	—	—	107,086	107,086
Non-financial liabilities and equity	—	—	—	—	67,905	67,905
Total liabilities and equity	**127,522**	**156,843**	**54,318**	**99,313**	**217,079**	**655,075**
Derivatives, cash inflow	—	429,194	124,755	220,495	73,590	848,034
Derivatives, cash outflow	—	429,971	124,404	218,650	74,574	847,599
Net exposure	**—**	**–777**	**351**	**1,845**	**–984**	**435**
Exposure	**–101,549**	**–37,758**	**–9,060**	**66,173**	**186,009**	**103,815**
Cumulative exposure	**–101,549**	**–139,307**	**–148,367**	**–82,194**	**103,815**	**—**

31 Dec 2012, EURm[1]	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	63,013	89,716	45,366	160,314	235,881	594,290
Non interest-bearing financial assets	—	—	—	—	162,866	162,866
Non-financial assets	—	—	—	—	9,831	9,831
Total assets	**63,013**	**89,716**	**45,366**	**160,314**	**408,578**	**766,987**
Interest-bearing financial liabilities	130,149	154,543	52,233	94,060	43,770	474,755
Non interest-bearing financial liabilities	—	—	—	—	153,153	153,153
Non-financial liabilities and equity	—	—	—	—	67,216	67,216
Total liabilities and equity	**130,149**	**154,543**	**52,233**	**94,060**	**264,139**	**695,124**
Derivatives, cash inflow	—	463,465	174,888	242,633	82,232	963,218
Derivatives, cash outflow	—	475,595	173,266	234,307	79,811	962,979
Net exposure	**—**	**–12,130**	**1,622**	**8,326**	**2,421**	**239**
Exposure	**–67,136**	**–76,957**	**–5,245**	**74,580**	**146,860**	**72,102**
Cumulative exposure	**–67,136**	**–144,093**	**–149,338**	**–74,758**	**72,102**	**—**

1) The figures have been restatet due to forward starting bonds.

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 78,332m (EUR 84,914m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 18,969m (EUR 18,844m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section of “Risk, Liquidity and Capital management”.

G48 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 31 Dec 2013	Associated undertakings 31 Dec 2012	Other related parties[1] 31 Dec 2013	Other related parties[1] 31 Dec 2012
Assets				
Loans	464	342	0	0
Interest-bearing securities	120	11	—	—
Derivatives	147	304	—	—
Investments in associated undertakings	630	585	—	—
Total assets	**1,361**	**1,242**	**0**	**0**
Liabilities				
Deposits	142	165	109	47
Debt securities in issue	11	39	—	—
Derivatives	34	4	—	—
Total liabilities	**187**	**208**	**109**	**47**
Off balance[2]	**8,086**	**9,997**	**—**	**—**

EURm	Associated undertakings 2013	Associated undertakings 2012	Other related parties[1] 2013	Other related parties[1] 2012
Net interest income	9	6	0	0
Net fee and commission income	6	4	1	1
Net result from items at fair value	18	121	—	—
Other operating income	0	0	—	—
Total operating expenses	0	–11	—	—
Profit before loan losses	**33**	**120**	**1**	**1**

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

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7.

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the negative fair value of the contract as of the balance sheet date amounts to approx. EUR 13m. The agreement's expiring date corresponds with the maturity dates of the bonds included in the guarantee. The latest maturity is on 31 December 2023.

In 2009 Nordea entered into one transaction with a company under significant influence by a member of key management personnel, which is disclosed separately in this note due to the transaction's significance for the related company. The related company has a credit limit of EUR 27m, of which EUR 7m was utilised as of 31 December 2013. The latest maturity is 31 December 2014, with the possibility of yearly prolongation after a new credit review. Nordea has collateral in securities (shares) corresponding to 200 percent of the utilised credit limit. The transaction is made on the same criteria and terms as those for comparable transactions with companies of similar standing.

G49 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) 2013, which is available on www.nordea.com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report.

The Pillar III report contains the disclosures required by the Capital Requirements Directive (CRD). 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 2013	31 Dec 2012
On-balance sheet items	412,850	428,192
Off-balance sheet items	46,351	47,966
Securities financing	2,196	2,170
Derivatives	18,158	34,263
Exposure At Default (EAD)	**479,555**	**512,591**

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

Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRD. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRD, credit risk exposure presented in this note is divided between exposure classes where each exposure class is divided into exposure types as follows:

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

Items presented in other parts of the Annual Report, are divided as follows (in accordance with the accounting standards):

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

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

On-balance sheet items

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

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

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRD:

- 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

Derivatives can be both on-balance sheet (i.e. positive fair value) and off-balance (i.e. nominal amounts) in accordance with accounting standards. However, in the CRD, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRD calculations these exposure types are determined net of the collateral.

G49 Credit risk disclosures

On-balance sheet items

31 Dec 2013, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Life insurance operations	Other	Assets held for sale[3]	Balance sheet
Cash and balances with central banks	34,082	—	—	1	—	–554	33,529
Loans to credit institutions and central banks	15,421	—	6,605	546	17	–77	22,512
Loans to the public	307,207	4,388	39,159	—	–2,159	–6,144	342,451
Interest-bearing securities and pledged instruments	52,042	25,523	—	20,858	—	–1,534	96,889
Derivatives[1]	—	—	70,840	154	—	–2	70,992
Intangible assets	—	—	—	324	2,987	–65	3,246
Other assets and prepaid expenses	5,347	18,632	65	28,009	386	8,376	60,815
Total assets	**414,099**	**48,543**	**116,669**	**49,892**	**1,231**	**0**	**630,434**
Exposure at default[2]	**412,850**						

1) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
2) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.
3) Assets held for sale are disclosed separately in the balance sheet but are included line by line in original exposure.

31 Dec 2012, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Life insurance operations	Other	Balance sheet restate-ment[3]	Balance sheet
Cash and balances with central banks	36,059	—	—	1	—	—	36,060
Loans to credit institutions and central banks	10,431	—	8,146	2	–5	—	18,574
Loans to the public	318,029	4,502	26,178	571	–3,029	—	346,251
Interest-bearing securities and pledged instruments	57,109	22,680	—	23,120	—	–8,313	94,596
Derivatives[1]	—	—	118,660	129	—	—	118,789
Intangible assets	—	—	—	332	3,093	—	3,425
Other assets and prepaid expenses	7,185	20,067	55	23,480	625	–929	50,483
Total assets	**428,813**	**47,249**	**153,039**	**47,635**	**684**	**–9,242**	**668,178**
Exposure at default[2]	**428,192**						

1) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
2) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.
3) 2012 has been restated due to the changed presentation of forward starting bonds and the revised IAS 19.

Off-balance sheet items

31 Dec 2013, EURm	Credit risk in Basel II calculation	Life insurance operations	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	20,824	46	—	20,870
Commitments	79,012	547	40	79,599
Total	**99,836**	**593**	**40**	**100,469**

31 Dec 2013, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	51,607	68	51,675	47%	24,146
Checking accounts	18,975	4,400	23,375	23%	5,346
Loan commitments	8,294	7,129	15,423	31%	4,843
Guarantees	19,681	2	19,683	59%	11,669
Other	1,279	34	1,313	26%	347
Total	**99,836**	**11,633**	**111,469**		**46,351**

G49 Credit risk disclosures

31 Dec 2012, EURm	Credit risk in Basel II calculation	Life insurance operations	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	21,106	51	—	21,157
Commitments	85,507	661	40	86,208
Total	**106,613**	**712**	**40**	**107,365**

31 Dec 2012, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	52,925	85	53,009	48%	25,525
Checking accounts	20,540	4,198	24,738	22%	5,540
Loan commitments	11,704	2,722	14,426	32%	4,589
Guarantees	20,024	1	20,025	60%	11,925
Other	1,420	20	1,440	27%	387
Total	**106,613**	**7,026**	**113,638**		**47,966**

As of year-end 2013, 77% 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 2013, total exposures decreased primarily due to lower exposures in the corporate and institutions portfolios. Derivative exposures, especially within the institutions portfolio, significantly decreased during the year due to IMM approval.

Exposure classes split by exposure type

31 Dec 2013, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,719	1,951	147	3,232	84,049
Institutions	34,694	1,255	1,218	5,667	42,834
Corporate	127,638	34,044	739	8,234	170,655
Retail	158,228	9,077	1	96	167,402
Other[1]	13,571	24	91	929	14,615
Total exposure	**412,850**	**46,351**	**2,196**	**18,158**	**479,555**

31 Dec 2012, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	73,757	2,041	108	3,851	79,757
Institutions	42,084	1,748	1,388	20,417	65,637
Corporate	138,959	35,088	672	9,639	184,358
Retail	159,032	9,052	2	77	168,163
Other	14,360	37	0	279	14,676
Total exposure	**428,192**	**47,966**	**2,170**	**34,263**	**512,591**

Nordea is geographically well diversified and as of end 2013, no market accounts for more than 25% of the total exposure. The exposure in Sweden and Finland represents 25% and 23% of the total exposure in the Group respectively, while Denmark accounts for 23% and Norway 16%. In all the Nordic countries the total IRB exposures decreased in 2013 compared to 2012.

In Finland, the lower exposure in the IRB portfolio is attributable to decreases in institution and corporate exposures. For institutions the decrease relates mainly to derivative exposures as well as decreased lending. The majority of the Russian exposures moved from SA to IRB due to FIRB approval for institutions and corporate.

G49 Credit risk disclosures

Exposure split by geography and exposure classes

31 Dec 2013, EURm	Nordic countries	– of which Denmark	– of which Finland	– of which Norway	– of which Sweden	Baltic countries	Poland	Russia	Other	Total
Government, local authorities and central banks	55,891	15,252	19,862	6,161	14,616	729	1,118	207	26,104	84,049
Institutions	38,759	6,306	14,862	5,957	11,634	148	971	299	2,657	42,834
Corporate	148,606	37,447	37,839	33,619	39,701	5,568	1,903	4,324	10,254	170,655
Retail	166,080	52,002	36,040	28,719	49,319	963	211	64	84	167,402
Other[1]	7,272	1,438	2,830	765	2,239	2,384	4,005	464	490	14,615
Total exposure	**416,608**	**112,445**	**111,433**	**75,221**	**117,509**	**9,792**	**8,208**	**5,358**	**39,589**	**479,555**

31 Dec 2012, EURm	Nordic countries	– of which Denmark	– of which Finland	– of which Norway	– of which Sweden	Baltic countries	Poland	Russia	Other	Total
Government, local authorities and central banks	59,147	13,304	27,483	5,245	13,115	986	1,816	464	17,344	79,757
Institutions	61,529	6,382	30,282	7,899	16,966	83	1,152	200	2,673	65,637
Corporate	160,002	38,579	39,148	36,926	45,349	5,814	2,040	4,614	11,888	184,358
Retail	167,088	52,103	35,219	32,094	47,672	766	179	46	84	168,163
Other[1]	6,971	1,853	1,636	525	2,957	2,227	4,272	716	490	14,676
Total exposure	**454,737**	**112,221**	**133,768**	**82,689**	**126,059**	**9,876**	**9,459**	**6,040**	**32,479**	**512,591**

1) Including exposures secured by real estate.

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (i.e. statistical classification codes of economic activities in the European community).

The IRB corporate portfolio is well diversified between industries. The real estate management and investment sector is the largest sector which together with other financial institutions are the only sectors that account for more than 8% of the total exposure of EUR 480bn. During the year, the exposure class IRB institution decreased exposures to other financial institutions and to banks. The largest relative decrease was found within the other, public and organisations industry while the highest relative increase showed up within other materials (chemical, building materials etc.). The largest nominal increase and decrease appeared in retail mortgage and banks respectively.

Exposure split by industry group

EURm	31 Dec 2013	31 Dec 2012
Retail mortgage	139,521	137,828
Other retail	32,259	34,671
Central and local governments	38,970	37,312
Banks	72,456	85,062
Construction and engineering	5,450	5,863
Consumer durables (cars, appliances etc)	4,745	5,385
Consumer staples (food, agriculture etc)	13,500	14,124
Energy (oil, gas etc)	4,877	4,754
Health care and pharmaceuticals	1,852	2,412
Industrial capital goods	5,229	5,344
Industrial commercial services	15,048	16,692
IT software, hardware and services	1,843	1,944
Media and leisure	2,903	3,059
Metals and mining materials	1,015	1,111
Paper and forest materials	3,010	3,168
Real estate management and investment	43,852	46,461
Retail trade	12,285	13,308
Shipping and offshore	12,786	14,083
Telecommunication equipment	468	453
Telecommunication operators	2,015	2,002
Transportation	4,813	4,859
Utilities (distribution and production)	9,127	8,716
Other financial companies	27,575	35,927
Other materials (chemical, building materials etc)	8,329	7,150
Other	15,627	20,903
Total exposure	**479,555**	**512,591**

G49 Credit risk disclosures

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. Guarantees issued by corporate entities can only be taken into account if their rating corresponds to A– (S&P's rating scale) or better.

Central governments and municipalities guarantee approximately 82% of the total guaranteed exposure. Exposure guarantee by these guarantors has an average risk weight of 0%. 4% of the total guaranteed exposure is guaranteed by IRB institutions. The remainder is guaranteed by IRB corporate guarantors, all with a rating of 5– or higher. Credit derivatives are only used as credit risk protection to a very limited extent since the credit portfolio is considered to be well diversified.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2013, EURm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	81,444	84,049	477	1
Institutions	45,067	42,834	703	350
Corporate	225,782	170,655	8,482	65,176
Retail	178,595	167,402	2,786	132,753
Other[1]	15,247	14,615	4	7,360
Total exposure	**546,135**	**479,555**	**12,452**	**205,640**

31 Dec 2012, EURm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	77,423	79,757	437	1
Institutions	67,552	65,637	427	7,642
Corporate	238,863	184,358	8,471	64,608
Retail	179,828	168,163	3,017	130,955
Other[1]	15,410	14,676	2	7,353
Total exposure	**579,076**	**512,591**	**12,354**	**210,559**

1) Including exposures secured by real estate.

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate to be constitute a major share of eligible collateral items in relative terms. The real estate collateral category also saw the largest relative increase the year. Commercial real estate and other physical collateral also increased while financial collateral and receivables decreased in relative terms. Real estate is commonly used as collateral for credit risk mitigation purposes. There is no certain concentration of real estate collateral to any particular region within the Nordic and Baltic countries. Other physical collateral consist mainly of ships.

Collateral distribution

	31 Dec 2013	31 Dec 2012
Financial Collateral	1.4%	4.7%
Receivables	1.1%	1.2%
Residential Real Estate	72.6%	70.6%
Commercial Real Estate	18.5%	17.5%
Other Physical Collateral	6.4%	6.0%
Total	**100.0%**	**100.0%**

G49 Credit risk disclosures

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 2013, the retail mortgage exposure increased in the LTV buckets representing LTV below 50%.

Loan-to-value distribution

	31 Dec 2013		31 Dec 2012	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	99.2	77	97.4	77
50–70%	20.9	16	20.7	16
70–80%	5.5	4	5.6	4
80–90%	2.1	2	2.3	2
>90%	1.2	1	1.2	1
Total	**128.9**	**100**	**127.1**	**100**

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and syntehetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivatives transactions create risk in similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements. CDO valuations are subject to fair value adjustments for model risk. These fair value adjustments are recognised in the income statement.

Collateralised Debt Obligations (CDO) – Exposure[1]

	31 Dec 2013		31 Dec 2012	
Nominal, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	1,266	1,587	1,833	2,816
Hedged exposures	965	966	1,442	1,444
CDOs, net[2]	**301[3]**	**621[4]**	**391[3]**	**1,372[3]**
– of which Equity	57	102	53	361
– of which Mezzanine	108	306	80	386
– of which Senior	136	213	258	625

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 47m (EUR 214m) and net sold protection to EUR 18m (EUR 50m). 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 150m (EUR 349m) and sub investment grade EUR 151m (EUR 42m).
4) Of which investment grade EUR 326m (EUR 769m) and sub investment grade EUR 286m (EUR 101m) and not rated EUR 0m (EUR 0m).

Restructured loans and receivables current year[1]

EURm	31 Dec 2013	31 Dec 2012
Loans before restructuring, carrying amount	19	13
Loans after restructuring, carrying amount	0	6

1) Loans classified as impaired that subsequently have improved and are not classified as impaired at the reporting date.

Assets taken over for protection of claims[1]

EURm	31 Dec 2013	31 Dec 2012
Current assets, carrying amount:		
Land and buildings	123	142
Shares and other participations	25	18
Other assets	3	5
Total	**151**	**165**

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, whereever 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.

G49 Credit risk disclosures

The table below shows loans past due 6 days or more that are not considered impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2013 EUR 1,257m down from EUR 1,929m one year ago, while past due loans for household customers decreased to EUR 1,539m (EUR 1,773m).

Past due loans, excluding impaired loans

	31 Dec 2013		31 Dec 2012	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	714	974	1,157	1,168
31–60 days	317	316	358	315
61–90 days	66	126	80	137
>90 days	160	124	334	153
Total	**1,257**	**1,539**	**1,929**	**1,773**
Past due not impaired loans divided by loans to the public after allowances, %	0.68	0.98	1.06	1.12

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 71% (69%) of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loan

	31 Dec 2013		31 Dec 2012	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	83.8	45	78.9	43
10–50	47.0	25	46.2	25
50–100	18.3	10	21.8	12
100–250	23.4	13	25.1	14
250–500	9.8	5	8.8	5
500–	2.9	2	2.0	1
Total	**185.2**	**100**	**182.8**	**100**

Interest-bearing securities

	31 Dec 2013			31 Dec 2012		
EURm	At fair value	At amor-tised cost	Total	At fair value	At amor-tised cost	Total
State and sovereigns	21,258	164	21,422	20,547	280	20,827
Municipalities and other public bodies	2,042	448	2,490	4,684	802	5,486
Mortgage institutions	30,723	1,758	32,481	25,862	1,815	27,677
Other credit institutions	21,128	2,803	23,931	21,113	3,815	24,928
Corporates	5,909	186	6,095	4,280	540	4,820
Corporates, sub-investment grade	445	—	445	794	—	794
Other	450	—	450	2,094	—	2,094
Total	**81,955**	**5,359**	**87,314**	**79,374**	**7,252**	**86,626**

Financial statements, Parent company – Contents

Income statement, Parent company

EURm	Note	2013	2012
Operating income			
Interest income		2,140	2,656
Interest expense		–1,499	–1,932
Net interest income	P3	**641**	**724**
Fee and commission income		1,259	853
Fee and commission expense		–250	–230
Net fee and commission income	P4	**1,009**	**623**
Net result from items at fair value	P5	131	189
Dividends	P6	1,827	3,554
Other operating income	P7	674	501
Total operating income		**4,282**	**5,591**
Operating expenses			
General administrative expenses:			
Staff costs	P8	–982	–938
Other expenses	P9	–1,018	–842
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P23, P24	–109	–105
Total operating expenses		**–2,109**	**–1,885**
Profit before loan losses		**2,173**	**3,706**
Net loan losses	P11	–124	–19
Impairment of securities held as financial non-current assets	P21	–4	–15
Operating profit		**2,045**	**3,672**
Appropriations	P12	102	–103
Income tax expense	P13	–192	–95
Net profit for the year		**1,955**	**3,474**

Statement of comprehensive income

EURm	2013	2012
Net profit for the year	**1,955**	**3,474**
Items that may be reclassified subsequently to the income statement		
Available for sale investments:[1]		
Valuation gains/losses during the year	4	30
Tax on valuation gains/losses during the year	–1	–6
Transferred to the income statement during the year	2	—
Tax on transfers to the income statement during the year	0	—
Cash flow hedges:		
Valuation gains/losses during the year	562	179
Tax on valuation gains/losses during the year	–124	–48
Transferred to the income statement during the year	–586	–176
Tax on transfers to the income statement during the year	129	46
Other comprehensive income, net of tax	**–14**	**25**
Total comprehensive income	**1,941**	**3,499**

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 2013	31 Dec 2012
Assets			
Cash and balances with central banks		45	180
Treasury bills	P14	4,952	5,092
Loans to credit institutions	P15	80,918	68,006
Loans to the public	P15	34,155	36,214
Interest-bearing securities	P16	11,128	11,594
Financial instruments pledged as collateral	P17	737	104
Shares	P18	5,351	4,742
Derivatives	P19	4,219	5,852
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	–11	–1,157
Investments in group undertakings	P21	17,723	17,659
Investments in associated undertakings	P22	7	8
Intangible assets	P23	729	670
Property and equipment	P24	118	121
Deferred tax assets	P13	28	19
Current tax assets		0	41
Other assets	P25	2,533	1,713
Prepaid expenses and accrued income	P26	1,291	1,272
Total assets		**163,923**	**152,130**
Liabilities			
Deposits by credit institutions	P27	17,500	19,342
Deposits and borrowings from the public	P28	47,531	50,263
Debt securities in issue	P29	62,961	48,285
Derivatives	P19	3,627	4,166
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	715	16
Current tax liabilities		11	3
Other liabilities	P30	4,173	1,635
Accrued expenses and prepaid income	P31	1,150	1,468
Deferred tax liabilities	P13	10	8
Provisions	P32	184	148
Retirement benefit liabilities	P33	166	182
Subordinated liabilities	P34	5,971	7,131
Total liabilities		**143,999**	**132,647**
Untaxed reserves	P35	**3**	**108**
Equity			
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		–2	12
Retained earnings		14,793	14,233
Total equity		**19,921**	**19,375**
Total liabilities and equity		**163,923**	**152,130**
Assets pledged as security for own liabilities	P36	2,454	4,230
Other assets pledged	P37	7,033	6,225
Contingent liabilities	P38	70,385	86,292
Commitments	P39	26,713	26,270

Statement of changes in equity, Parent company

EURm	Restricted equity	Unrestricted equity[1]				
			Other reserves:			
	Share capital	Share premium reserve	Cash flow hedges	Availabl for sale investments	Retained earnings	Total equity
Balance at 1 Jan 2013	**4,050**	**1,080**	**–19**	**31**	**14,233**	**19,375**
Net profit for the year	—	—	—	—	1,955	1,955
Available for sale investments:						
Valuation gains/losses during the year	—	—	—	4	—	4
Tax on valuation gains/losses during the year	—	—	—	–1	—	–1
Transferred to the income statement during the year	—	—	—	2	—	2
Tax on transfers to the income statement during the year	—	—	—	0	—	0
Cash flow hedges:						
Valuation gains/losses during the year	—	—	562	—	—	562
Tax on valuation gains/losses during the year	—	—	–124	—	—	–124
Transferred to the income statement during the year	—	—	–586	—	—	–586
Tax on transfers to the income statement during the year	—	—	129	—	—	129
Other comprehensive income, net of tax	—	—	–19	5	—	–14
Total comprehensive income	—	—	–19	5	1,955	1,941
Share-based payments	—	—	—	—	15	15
Dividend for 2012	—	—	—	—	–1,370	–1,370
Repurchases of own shares[2]	—	—	—	—	–40	–40
Balance at 31 Dec 2013	**4,050**	**1,080**	**–38**	**36**	**14,793**	**19,921**
Balance at 1 Jan 2012	**4,047**	**1,080**	**–20**	**7**	**11,807**	**16,921**
Net profit for the year	—	—	—	—	3,474	3,474
Available for sale investments:						
Valuation gains/losses during the year	—	—	—	30	—	30
Tax on valuation gains/losses during the year	—	—	—	–6	—	–6
Cash flow hedges:						
Valuation gains/losses during the year	—	—	179	—	—	179
Tax on valuation gains/losses during the year	—	—	–48	—	—	–48
Transferred to the income statement during the year	—	—	–176	—	—	–176
Tax on transfers to the income statement during the year	—	—	46	—	—	46
Other comprehensive income, net of tax	—	—	1	24	—	25
Total comprehensive income	—	—	1	24	3,474	3,499
Issued C-shares[3]	3	—	—	—	—	3
Repurchase of C-shares[3]	—	—	—	—	–3	–3
Share-based payments	—	—	—	—	13	13
Dividend for 2011	—	—	—	—	–1,048	–1,048
Repurchases of own shares[2]	—	—	—	—	–10	–10
Balance at 31 Dec 2012	**4,050**	**1,080**	**–19**	**31**	**14,233**	**19,375**

1) Apart from retained earnings, unrestricted equity consists of a free fund to the amount of EUR 2,762m (31 Dec 2012: EUR 2,762m).
2) Refers to the change in the holding of own shares related to Long tem Incentive Programme and trading portfolio. The number of own shares were 23.8 million (31 Dec 2012: 21.8 million).
3) Refers to the Long Term Incentive Programme (LTIP). LTIP 2012 was hedged by issuing 2,679,168 C-shares. The shares have been bought back and converted to ordinary shares. The total holding of own shares related to LTIP is 18.3 million (31 Dec 2012: 20.3 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 1 Jan 2012	**1.0**	**4,047,272,751**	**4,047,272,751**
New issue[1]	1.0	2,679,168	2,679,168
Balance at 31 Dec 2012	**1.0**	**4,049,951,919**	**4,049,951,919**
Balance at 31 Dec 2013	**1.0**	**4,049,951,919**	**4,049,951,919**

1) Refers to the Long Term Incentive Programme (LTIP).

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 20 March 2014, a dividend in respect of 2013 of EUR 0.43 per share (2012 actual dividend EUR 0.34 per share) amounting to a total of EUR 1,733,603,282 (2012 actual: EUR 1,370,092,365) is to be proposed. The financial statements for the year ended 31 December 2013 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2014.

Cash flow statement, Parent company

EURm	2013	2012
Operating activities		
Operating profit	2,045	3,672
Adjustment for items not included in cash flow	–1,771	48
Income taxes paid	–142	–180
Cash flow from operating activities before changes in operating assets and liabilities	**132**	**3,540**
Changes in operating assets		
Change in treasury bills	9	–1,377
Change in loans to credit institutions	–19,476	–8,407
Change in loans to the public	1,915	164
Change in interest-bearing securities	–78	2,207
Change in financial assets pledged as collateral	–634	1,133
Change in shares	–610	–3,615
Change in derivatives, net	297	249
Change in other assets	–820	1,320
Changes in operating liabilities		
Change in deposits by credit institutions	–1,842	–3,100
Change in deposits and borrowings from the public	–2,732	5,874
Change in debt securities in issue	14,676	2,918
Change in other liabilities	4,025	–165
Cash flow from operating activities	**–5,138**	**741**
Investing activities		
Shareholder's contributions to group undertakings	–47	–935
Sale of business operations	17	—
Acquisition of associated undertakings	0	–3
Sale of associated undertakings	1	—
Acquisition of property and equipment	–28	–64
Sale of property and equipment	3	0
Acquisition of intangible assets	–143	–95
Sale of intangible assets	0	1
Net investments in debt securities, held to maturity	544	1,119
Purchase of other financial fixed assets	0	–335
Cash flow from investing activities	**347**	**–312**
Financing activities		
Issued subordinated liabilities	—	1,495
Amortised subordinated liabilities	–500	–618
New share issue	—	3
Repurchase/divestment of own shares incl change in trading portfolio	–40	–13
Dividend paid	–1,370	–1,048
Cash flow from financing activities	**–1,910**	**–181**
Cash flow for the year	**–6,701**	**248**
Cash and cash equivalents at the beginning of year	8,300	8,052
Cash and cash equivalents at the end of year	1,599	8,300
Change	**–6,701**	**248**

Comments on the cash flow statement

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

Operating activities

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

EURm	2013	2012
Depreciation	100	95
Impairment charges	9	25
Loan losses	144	42
Unrealised gains/losses	914	–563
Capital gains/losses (net)	–16	0
Change in accruals and provisions	–307	690
Anticipated dividends	–1,042	–468
Group contributions	–459	–303
Translation differences	–173	–72
Change in fair value of the hedged items, assets/liabilities (net)	–932	566
Other	–9	36
Total	**–1,771**	**48**

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	2013	2012
Interest payments received	2,202	2,823
Interest expenses paid	1,517	1,852

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 2013	31 Dec 2012
Cash and balances with central banks	45	180
Loans to credit institutions, payable on demand	1,554	8,120
Total	**1,599**	**8,300**

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	2013	2012	2011	2010	2009
Net interest income	641	724	680	584	666
Net fee and commission income	1,009	623	560	571	456
Net result from items at fair value	131	189	234	157	152
Dividends	1,827	3,554	1,534	2,203	973
Other income	674	501	122	123	123
Total operating income	**4,282**	**5,591**	**3,130**	**3,638**	**2,370**
General administrative expenses:					
Staff costs	–982	–938	–823	–745	–644
Other expenses	–1,018	–842	–561	–526	–443
Depreciation, amortisation and impairment charges of tangible and intangible assets	–109	–105	–112	–112	–106
Total operating expenses	**–2,109**	**–1,885**	**–1,496**	**–1,383**	**–1,193**
Profit before loan losses	**2,173**	**3,706**	**1,634**	**2,255**	**1,177**
Net loan losses	–124	–19	–20	–33	–165
Impairment of securities held as financial non-current assets	–4	–15	–9	–105	—
Operating profit	**2,045**	**3,672**	**1,605**	**2,117**	**1,012**
Appropriations	102	–103	1	0	–3
Income tax expense	–192	–95	–114	–115	–24
Net profit for the year	**1,955**	**3,474**	**1,492**	**2,002**	**985**

Balance sheet

EURm	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Treasury bills and interest-bearing securities	16,080	16,686	18,314	20,706	20,675
Loans to credit institutions	80,918	68,006	59,379	48,151	43,501
Loans to the public	34,155	36,214	36,421	33,800	28,860
Investments in group undertakings	17,723	17,659	16,713	16,690	16,165
Other assets	15,047	13,565	10,554	14,458	9,125
Total assets	**163,923**	**152,130**	**141,381**	**133,805**	**118,326**
Deposits by credit institutions	17,500	19,342	22,441	28,644	30,187
Deposits and borrowings from the public	47,531	50,263	44,389	39,620	34,617
Debt securities in issue	62,961	48,285	45,367	33,424	22,119
Subordinated liabilities	5,971	7,131	6,154	7,135	6,605
Other liabilities/untaxed reserves	10,039	7,734	6,109	8,402	9,298
Equity	19,921	19,375	16,921	16,580	15,500
Total liabilities and equity	**163,923**	**152,130**	**141,381**	**133,805**	**118,326**

P1 Accounting policies

Basis for presentation

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and IFRS with the amendments and exceptions following the recommendation RFR 2 "Accounting for Legal Entities" and UFR statements issued by the Swedish Financial Reporting Board and the accounting regulations of the Swedish Financial Supervisory Authority, FFFS 2008:25, with amendments in FFFS 2009:11, 2011:54 and 2013:2. FFFS 2013:24 is effective as from 1 January 2014, however the new requirement for disclosing maturity information has been early applied from 1 January 2013. Under RFR 2, the parent company shall apply all standards and interpretations issued by the IASB and IFRS IC to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation. The recommendation sets out the exceptions and amendments compared to IFRS.

The Group's accounting policies described in Note G1 "Accounting policies" are applicable also for the parent company, considering also the information provided below.

Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2012 Annual Report.

The new standard IFRS 13 "Fair Value Measurement" was implemented 1 January 2013 but has not had any significant impact on the measurement of assets and liabilities in the parent company. The additional disclosures required by IFRS 13 are presented in Note P42 "Assets and liabilities at fair value".

IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures" have been amended as regards offsetting of financial assets and financial liabilities. The parent company implemented these changes in 2013. The parent company's principles for offsetting are already in accordance with IAS 32 and therefore there was no impact from the amendments in IAS 32. The additional disclosures required by IFRS 7 are presented in Note P43 "Financial instruments set off on balance or subject to netting agreements".

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

More information about the changes in IFRS described above can be found in section 2 "Changed accounting policies and presentation" in Note G1 "Accounting policies".

Forthcoming changes in IFRSs not yet implemented by the parent company can be found in section 3 "Changes in IFRSs not yet applied by Nordea" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

Accounting policies applicable for the parent company only

Investments in group undertakings and associated undertakings

The parent company's investments in group undertakings and associated undertakings are recognised under the cost model. Impairment tests are performed according to IAS 36 "Impairment of Assets". At each balance sheet date, all shares in group undertakings and associated undertakings are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment of securities held as financial non-current assets" in the income statement.

As from 2013 Nordea Bank AB (publ) applies fair value hedge accounting for the foreign exchange risk in investments in subsidiaries. The shares in subsidiaries are remeasured with regards to the hedged risk with a corresponding entry in "Net result from items at fair value". The change in fair value of the hedging instruments is also recognised in the income statement in "Net result from items at fair value".

Dividends

Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend and if the formal decision has been made before the financial report is published. Dividends from group- and associated undertakings are recognised on the separate income line "Dividends".

Amortisation of goodwill

Under IAS 38, goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised as any other intangible asset in accordance with the rules set out in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), i.e. normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

Functional currency

The functional and presentation currency of Nordea Bank AB (publ) is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 9 "Translation of assets and liabilities denominated in foreign currencies" in Note G1 "Accounting policies".

Pensions

The accounting principle for defined benefit obligations follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases.

P1 Accounting policies, cont.

In Sweden, actuarial pension commitments are guaranteed by a pension foundation or recognised as a liability. No net defined benefit assets are recognised. The pension cost in the parent company, classified as "Staff cost" in the income statement, consists of changes in recognised pension provisions (including special wage tax) for active employees, pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

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.

Assets and liabilities held for sale

As mentioned in Note G1 (section 2) and Note G44 for the Group, Nordea divests its Polish operations. The description for the Group in Note G1 is not applicable for Nordea Bank AB. The impact from the sale will be recognised on the closing of the transaction. Assets held for sale in Nordea Bank AB amount to EUR 809m at the end of the year but are not reclassified on the balance sheet.

P2 Segment reporting

Geographical information

	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	641	724	—	—	—	—	—	—	—	—	641	724
Net fee and commission income	1,009	623	—	—	—	—	—	—	—	—	1,009	623
Net result from items at fair value	131	189	—	—	—	—	—	—	—	—	131	189
Dividends[1]	838	368	700	3,142	—	8	244	7	45	29	1,827	3,554
Other operating income	106	109	195	128	88	63	285	201	—	—	674	501
Total operating income	**2,725**	**2,013**	**895**	**3,270**	**88**	**71**	**529**	**208**	**45**	**29**	**4,282**	**5,591**

1) Regards dividends from group undertakings.

P3 Net interest income

EURm	2013	2012
Interest income		
Loans to credit institutions	713	990
Loans to the public	973	1,203
Interest-bearing securities	366	405
Other interest income	88	58
Interest income	**2,140**	**2,656**
Interest expense		
Deposits by credit institutions	–148	–172
Deposits and borrowings from the public	–333	–536
Debt securities in issue	–935	–1,027
Subordinated liabilities	–314	–328
Other interest expenses[1]	231	131
Interest expense	**–1,499**	**–1,932**
Net interest income	**641**	**724**

1) The net interest income from derivatives, measured at fair value and related to Nordea´s funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 1,804m (EUR 2,314m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –1,756m (EUR –2,089m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4 Net fee and commission income

EURm	2013	2012
Asset management commissions	115	90
Life insurance	2	8
Brokerage, securities issues and corporate finance	165	147
Custody and issuers services	22	14
Deposits	26	29
Total savings related commissions	**330**	**288**
Payments	109	111
Cards	219	224
Total payment commissions	**328**	**335**
Lending	164	137
Guarantees and documentary payment	402	68
Total lending related commissions	**566**	**205**
Other commission income	35	25
Fee and commission income	**1,259**	**853**
Savings and investments	–28	–37
Payments	–26	–27
Cards	–126	–116
State guarantee fees	–50	–43
Other commission expenses	–20	–7
Fee and commission expense	**–250**	**–230**
Net fee and commission income	**1,009**	**623**

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 191m (EUR 167m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to EUR 282m (EUR 245m). The corresponding amount for fee expenses is EUR –28m (EUR –37m).

P5 Net result from items at fair value

EURm	2013	2012
Shares/participations and other share-related instruments	35	30
Interest-bearing securities and other interest-related instruments	165	87
Other financial instruments	8	41
Foreign exchange gains/losses	–77	31
Total[1]	**131**	**189**

1) Of which EUR 5m (EUR 4m) is dividends from shares.

P5 Net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2013	2012
Available for sale assets, realised	–2	—
Financial instruments designated at fair value through profit or loss	19	17
Financial instruments held for trading	80	144
Financial instruments under fair value hedge accounting	–6	–13
– of which net losses on hedging instruments	–929	506
– of which net gains on hedged items	923	–519
Financial assets measured at amortised cost	0	0
Financial liabilities measured at amortised cost	0	0
Foreign exchange gains/losses excluding currency hedges	40	41
Other	0	0
Total	**131**	**189**

P6 Dividends

EURm	2013	2012
Dividends from group undertakings		
Nordea Bank Finland Plc	700	3,125
Nordea Bank Denmark A/S	235	—
Nordea Life Holding AB	310	18
Nordea Investment Management AB	68	47
Nordea Bank S.A. Luxembourg	20	10
Nordea Investment Funds Company I SA	25	19
Nordea Funds Ab	—	17
Nordea Ejendomsinvestering A/S	9	7
Nordea Fondene Norge AS	—	8
Dividends from associated undertakings		
Upplysningscentralen (UC) AB	1	—
Bankpension Sverige AB	0	—
Group Contributions		
Nordea Hypotek AB	245	208
Nordea Fonder AB	28	2
Nordea Finans AB	186	93
Nordic Baltic Holding AB	0	0
Total	**1,827**	**3,554**

P7 Other operating income

EURm	2013	2012
Divestment of shares	17	—
Remuneration from group undertakings	472	439
Other	185	62
Total	**674**	**501**

P8 Staff costs

EURm	2013	2012
Salaries and remuneration (specification below)[1]	–650	–590
Pension costs (specification below)	–126	–144
Social security contributions	–200	–194
Other staff costs	–6	–10
Total	**–982**	**–938**

Salaries and remuneration		
To executives[2]		
– Fixed compensation and benefits	–6	–6
– Performance-related compensation	–5	–3
– Allocation to profitsharing	0	0
Total	**–11**	**–9**
To other employees	–639	–581
Total	**–650**	**–590**

1) Allocation to profit-sharing foundation 2013 EUR 13m (EUR 20m) consists of a new allocation of EUR 13m (EUR 18m) and an allocation related to prior year of EUR 0m (EUR 2m).
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 16 (17) positions.

EURm	2013	2012
Pension costs[1]		
Defined benefit plans	–67	–90
Defined contribution plans	–59	–54
Total	**–126**	**–144**

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) one week before the Annual General Meeting on 20 March 2014.

Compensation to key management personnel
Salaries and renumeration to the Board of Directors, CEO and Group Executive Management, see Note G7 "Staff costs".

Loans to key management personnel
Loans to key management personnel amounts to EUR 0m (EUR 0m). Interest income on these loans amounts to EUR 0m (EUR 0m). For information about loan conditions, see Note G7 "Staff costs".

Long Term Incentive Programmes
Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares. For more information about conditions and requirements, see Note G7 "Staff costs".

For information on number of outstanding conditional rights in the LTIPs, see Note G7 "Staff costs". All rights in the LTIPs, both to employees in the parent company as well as to employees in group undertakings, are issued by Nordea Bank AB (publ).

The expenses in below table regards only employees in Nordea Bank AB (publ).

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

EURm	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009
Expected expense for the whole programme	–7	–9	–5	–4
Maximum expense for the whole programme	–12	–10	–5	–4
Total expense during 2013	–2	–3	–1	—
Total expense during 2012	–2	–3	–1	—

1) All amounts excluding social security contribution.

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

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

In addition Nordea has during 2013 introduced the Executive Incentive Programme 2013 ("EIP 2013") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP rewards performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2013 is paid no earlier than autumn 2017. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP 2013 is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2013 is decided during spring 2014, and a reservation of EUR 12m excl. social costs is made 2013. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP will be included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

P8 Staff costs, cont.

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

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

Average number of employees

	Total		Men		Women	
	2013	2012	2013	2012	2013	2012
Full-time equivalents						
Sweden	6,395	6,601	2,852	2,910	3,543	3,691
Other countries	1,842	1,203	1,156	737	686	466
Total average	**8,237**	**7,804**	**4,008**	**3,647**	**4,229**	**4,157**

Gender distribution, executives

Per cent	31 Dec 2013	31 Dec 2012
Nordea Bank AB (publ)		
Board of Directors – Men	67	67
Board of Directors – Women	33	33
Other executives – Men	86	88
Other executives – Women	14	12

P9 Other expenses

EURm	2013	2012
Information technology	–622	–500
Marketing and representation	–35	–33
Postage, transportation, telephone and office expenses	–61	–69
Rents, premises and real estate	–125	–114
Other[1]	–175	–126
Total	**–1,018**	**–842**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2013	2012
KPMG		
Auditing assignments	–2	–2
Audit-related services	–1	–1
Tax advisory services	0	0
Other assignments	–3	–1
Total	**–6**	**–4**

P10 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2013	2012
Depreciation/amortisation		
Property and equipment (Note P24)		
Equipment	–24	–22
Buildings	0	0

P10 Depreciation, amortisation and impairment charges of tangible and intangible assets, cont.

	2013	2012
Intangible assets (Note P23)		
Goodwill	–49	–49
Computer software	–23	–20
Other intangible assets	–4	–4
Total	**–100**	**–95**
Impairment charges		
Intangible assets (Note P23)		
Computer software	–9	–10
Total	**–9**	**–10**
Total	**–109**	**–105**

P11 Net loan losses

EURm	2013	2012
Divided by class		
Loans to credit institutions	1	–1
– of which provisions	0	–5
– of which write-offs	—	0
– of which allowances used for covering write-offs	—	0
– of which reversals	1	4
Loans to the public	–45	–15
– of which provisions	–57	–69
– of which write-offs	–72	–65
– of which allowances used for covering write-offs	34	27
– of which reversals	29	69
– of which recoveries	21	23
Off-balance sheet items[1]	–80	–3
– of which provisions	–70	–5
– of which reversals	38	2
– of which directly recognised in income statement	–48	—
Total	**–124**	**–19**
Specification		
Changes of allowance accounts on the balance sheet	–50	–4
– of which Loans, individually assessed[2]	–33	–14
– of which Loans, collectively assessed[2]	5	13
– of which Off-balance sheet items, individually assessed[1]	–25	0
– of which Off-balance sheet items, collectively assessed[1]	3	–3
Changes directly recognised in the income statement	–74	–15
– of which realised loan losses, individually assessed	–94	–38
– of which realised recoveries, individually assessed	20	23
Total	**–124**	**–19**

1) Included in Note P32 "Provisions" as "Transfer risk, off-balance" and "Guarantees".
2) Included in Note P15 "Loans and impairment".

Key ratios

	2013	2012
Loan loss ratio, basis points	36	5
– of which individual	15	8
– of which collective	21	–3

P12 Appropriations

EURm	2013	2012
Change in tax allocation reserve	100	–103
Change in depreciation in excess of plan, equipment	2	0
Total	**102**	**–103**

P13 Taxes

Income tax expense

EURm	2013	2012
Current tax	–194	–88
Deferred tax	2	–7
Total	**–192**	**–95**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2013	2012
Profit before tax	2 147	3,569
Tax calculated at a tax rate of 22.0% (26.3%)	–472	–939
Tax-exempt income	307	872
Non-deductible expenses	–20	–26
Adjustments relating to prior years	–7	—
Change of tax rate[1]	—	–2
Tax charge	**–192**	**–95**
Average effective tax rate	9%	3%

1) Due to change of corporate tax rate from 26.3% to 22.0% in 2012.

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2013	2012	2013	2012
Deferred tax related to:				
Derivatives	11	5	10	8
Retirement benefit obligations	9	8	—	—
Liabilities/provisions	8	6	—	0
Total	**28**	**19**	**10**	**8**

EURm	2013	2012
Movements in deferred tax assets/liabilities, net:		
Amount at beginning of year (net)	11	24
Deferred tax relating to items recognised in Other comprehensive income	4	–8
Acquisitions and others	1	2
Deferred tax in the income statement	2	–7
Amount at end of year (net)	**18**	**11**
Current and deferred tax recognised in Other comprehensive income		
Deferred tax relating to available for sale investments	–10	–6
Deferred tax relating to cash flow hedges	11	–2
Total	**1**	**–8**

P14 Treasury bills

EURm	31 Dec 2013	31 Dec 2012
State and sovereigns[1]	5,235	4,907
Municipalities and other public bodies	454	289
Total	**5,689**	**5,196**
– of which Financial instruments pledged as collateral (Note P17)	737	104
Total	**4,952**	**5,092**

1) Of which EUR 17m (EUR 17m) held at amortised cost with a nominal amount of EUR 17m (EUR 17m).

P15 Loans and impairment

	Credit institutions		The public		Total	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans, not impaired	80,920	68,011	34,015	36,111	114,935	104,122
Impaired loans	—	—	312	296	312	296
– of which performing	—	—	180	118	180	118
– of which non-performing	—	—	132	178	132	178
Loans before allowances	**80,920**	**68,011**	**34,327**	**36,407**	**115,247**	**104,418**
Allowances for individually assessed impaired loans	—	–1	–118	–132	–118	–133
– of which performing	—	—	–79	–61	–79	–61
– of which non-performing	—	–1	–39	–71	–39	–72
Allowances for collectively assessed impaired loans	–2	–4	–54	–61	–56	–65
Allowances	**–2**	**–5**	**–172**	**–193**	**–174**	**–198**
Loans, carrying amount	**80,918**	**68,006**	**34,155**	**36,214**	**115,073**	**104,220**

Reconciliation of allowance accounts for impaired loans[1]

	Credit institutions			The public			Total		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2013	**–1**	**–4**	**–5**	**–132**	**–61**	**–193**	**–133**	**–65**	**–198**
Provisions	—	1	1	–55	–3	–58	–55	–2	–57
Reversals	—	1	1	22	6	28	22	7	29
Changes through the income statement	**—**	**2**	**2**	**–33**	**3**	**–30**	**–33**	**5**	**–28**
Allowances used to cover write-offs	—	—	—	34	—	34	34	—	34
Translation differences	1	—	1	13	4	17	14	4	18
Closing balance at 31 Dec 2013	**0**	**–2**	**–2**	**–118**	**–54**	**–172**	**–118**	**–56**	**–174**
Opening balance at 1 Jan 2012	**–2**	**–2**	**–4**	**–130**	**–80**	**–210**	**–132**	**–82**	**–214**
Provisions	—	–5	–5	–63	–5	–68	–63	–10	–73
Reversals	1	3	4	48	20	68	49	23	72
Changes through the income statement	**1**	**–2**	**–1**	**–15**	**15**	**0**	**–14**	**13**	**–1**
Allowances used to cover write-offs	—	—	—	27	—	27	27	—	27
Reclassifications	—	—	—	–8	7	–1	–8	7	–1
Translation differences	—	—	—	–6	–3	–9	–6	–3	–9
Closing balance at 31 Dec 2012	**–1**	**–4**	**–5**	**–132**	**–61**	**–193**	**–133**	**–65**	**–198**

1) See Note P11 "Net loan losses".

P15 Loans and impairment, cont.

Allowances and provisions

EURm	Credit institutions 31 Dec 2013	Credit institutions 31 Dec 2012	The public 31 Dec 2013	The public 31 Dec 2012	Total 31 Dec 2013	Total 31 Dec 2012
Allowances for items on the balance sheet	–2	–5	–172	–193	–174	–198
Provisions for off balance sheet items	–138	–117	–3	–2	–141	–119
Total allowances and provisions	**–140**	**–122**	**–175**	**–195**	**–315**	**–317**

Key ratios

	31 Dec 2013	31 Dec 2012
Impairment rate, gross, basis points	27	28
Impairment rate, net, basis points	17	16
Total allowance rate, basis points	15	19
Allowances in relation to impaired loans, %	38	45
Total allowances in relation to impaired loans, %	56	67

P16 Interest-bearing securities

EURm	31 Dec 2013	31 Dec 2012
Issued by other borrowers[1]	11,128	11,594
Total	**11,128**	**11,594**
Listed securitites	10,969	11,530
Unlisted securitites	159	64
Total	**11,128**	**11,594**

1) Of which EUR 321m (EUR 847m) held at amortised cost with a nominal amount of EUR 322m (EUR 846m).

P17 Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2013	31 Dec 2012
Treasury bills	737	104
Total	**737**	**104**

For more information on transferred assets, see Note P45 "Transferred assets and obtained collaterals".

P18 Shares

EURm	31 Dec 2013	31 Dec 2012
Shares	5,350	4,741
Shares taken over for protection of claims	1	1
Total	**5,351**	**4,742**
Listed shares	5,322	4,713
Unlisted shares	29	29
Total	**5,351**	**4,742**

P19 Derivatives and hedge accounting

31 Dec 2013, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	1,656	1,735	140,226
FRAs	14	18	50,444
Futures and forwards	1	0	2,586
Options	6	6	4,282
Other	1	0	1,129
Total	**1,678**	**1,759**	**198,667**
Equity derivatives			
Equity swaps	82	142	224
Futures and forwards	2	1	14
Options	151	123	2,796
Total	**235**	**266**	**3,034**
Foreign exchange derivatives			
Currency and interest rate swaps	530	549	12,617
Currency forwards	82	40	15,064
Total	**612**	**589**	**27,681**
Credit derivatives			
Credit default swaps	0	—	1
Total	**0**	**—**	**1**
Other derivatives			
Other	6	0	1,916
Total	**6**	**0**	**1,916**
Total derivatives held for trading	**2,531**	**2,614**	**231,299**
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	1,311	319	39,161
Total	**1,311**	**319**	**39,161**
Foreign exchange derivatives			
Currency and interest rate swaps	335	672	8,425
Currency forwards	42	22	9,455
Total	**377**	**694**	**17,880**
Total derivatives used for hedge accounting	**1,688**	**1,013**	**57,041**
– of which fair value hedges	1,288	291	47,587
– of which cash flow hedges	358	700	24,316
– of which net investment hedges	42	22	9,455
Total derivatives	**4,219**	**3,627**	**288,340**

Some cross currency 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 2012, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	2,469	2,683	127,698
FRAs	22	21	25,052
Futures and forwards	—	6	1,839
Options	0	0	379
Other	0	—	1,165
Total	**2,491**	**2,710**	**156,133**
Equity derivatives			
Equity swaps	83	149	350
Futures and forwards	1	0	21
Options	61	67	1,987
Total	**145**	**216**	**2,358**
Foreign exchange derivatives			
Currency and interest rate swaps	629	609	13,541
Currency forwards	63	124	23,979
Total	**692**	**733**	**37,520**
Credit derivatives			
Credit default swaps	—	0	1
Total	**—**	**0**	**1**
Other derivatives			
Other	26	0	1,867
Total	**26**	**0**	**1,867**
Total derivatives held for trading	**3,354**	**3,659**	**197,879**
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	2,058	263	32,653
Options	0	0	642
Total	**2,058**	**263**	**33,295**
Foreign exchange derivatives			
Currency and interest rate swaps	440	244	7,475
Total	**440**	**244**	**7,475**
Total derivatives used for hedge accounting	**2,498**	**507**	**40,770**
– of which fair value hedges	2,396	382	40,770
– of which cash flow hedges	102	125	20,884
Total derivatives	**5,852**	**4,166**	**238,649**

Some cross currency 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 Fair value changes of the hedged items in portfolio hedge of interest rate risk

EURm	31 Dec 2013	31 Dec 2012
Assets		
Carrying amount at beginning of year	–1,157	–632
Changes during the year		
Revaluation of hedged items	1,146	–525
Carrying amount at end of year	**–11**	**–1,157**

EURm		
Liabilities		
Carrying amount at beginning of year	16	147
Changes during the year		
Revaluation of hedged items	699	–131
Carrying amount at end of year	**715**	**16**

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset respectively a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

P21 Investments in group undertakings

EURm	31 Dec 2013	31 Dec 2012
Acquisition value at beginning of year	18,279	17,318
Acquisitions/capital contributions during the year	58	958
IFRS 2 expenses[1]	10	3
Acquisition value at end of year	**18,347**	**18,279**
Accumulated impairment charges at beginning of year	–620	–605
Impairment charges during the year	–4	–15
Accumulated impairment charges at end of year	**–624**	**–620**
Total	**17,723**	**17,659**
– of which listed shares	—	—

1) Allocation of IFRS 2 expenses for LTIP 2011 and 2012 related to the group undertakings.

P21 Investments in group undertakings, cont.

Specification

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

31 Dec 2013	Number of shares	Carrying amount 2013, EURm	Carrying amount 2012, EURm	Voting power of holding %	Domicile	Registration number
Nordea Bank Finland Plc	1,030,800,000	5,959	5,956	100.0	Helsinki	1680235–8
Nordea Finance Finland Ltd				100.0	Espoo	0112305–3
Nordea Bank Danmark A/S	50,000,000	4,010	4,010	100.0	Copenhagen	13522197
Nordea Finans Danmark A/S				100.0	Høje Taastrup	89805910
Nordea Kredit Realkreditaktieselskab				100.0	Copenhagen	15134275
Fionia Asset Company A/S				100.0	Copenhagen	31934745
Nordea Bank Norge ASA	551,358,576	2,733	2,818	100.0	Oslo	911044110
Nordea Eiendomskreditt AS				100.0	Oslo	971227222
Nordea Finans Norge AS				100.0	Oslo	924507500
Privatmegleren AS				100.0	Oslo	986386661
Nordea Bank Polska S.A	55,061,403	343	363	99.2	Gdynia	KRS0000021828
OOO Promyshlennaya Companiya Vestkon	4,601,942,680[1]	659	659	100.0	Moscow	1027700034185
OJSC Nordea Bank				100.0[2]	Moscow	1027739436955
Nordea Life Holding AB	1,000	719	707	100.0	Stockholm	556742–3305
Nordea Liv & Pension, Livforsikringsselskab A/S				100.0	Ballerup	24260577
Nordea Liv Holding Norge AS				100.0	Bergen	984739303
Livforsikringsselskapet Nordea Liv Norge AS				100.0	Bergen	959922659
Nordea Livförsäkring Sverige AB (publ)				100.0	Stockholm	516401–8508
Nordea Life Assurance Finland Ltd				100.0	Helsinki	0927072–8

P21 Investments in group undertakings, cont.

31 Dec 2013	Number of shares	Carrying amount 2013, EURm	Carrying amount 2012, EURm	Voting power of holding %	Domicile	Registration number
Nordea Funds Ltd	3,350	174	138	100.0	Helsinki	1737785–9
Nordea Fondene Norge AS			29	100.0	Oslo	930954616
Nordea Investment Fund Management A/S			8	100.0	Copenhagen	13917396
Nordea Bank S.A.	999,999	455	454	100.0	Luxembourg	B–14157
Nordea Investment Funds Company I S.A.[3]	—	—	0	—	Luxembourg	B–30550
Nordea Hypotek AB (publ)[4]	100,000	1,998	1,898	100.0	Stockholm	556091–5448
Nordea Fonder AB	15,000	242	241	100.0	Stockholm	556020–4694
Nordea Finans Sverige AB (publ)[4]	1,000,000	124	116	100.0	Stockholm	556021–1475
Nordea Investment Management AB	12,600	237	232	100.0	Stockholm	556060–2301
Nordea Ejendomsinvestering A/S	1,000	29	29	100.0	Copenhagen	26640172
Nordea IT Polska S.p. z.o.o.	100	40	—	100.0	Warsaw	0000429783
PK Properties Int'l Corp	100,000	0	0	100.0	Atlanta, USA	601624718
Nordea Hästen Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653–6800
Nordea Putten Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653–5257
Nordea North America Inc [5]	—	—	0	—	Delaware, USA	51-0276195
Nordea do Brasil Representações Ltda	1,162,149	0	0	100.0	Sao Paulo, Brasil	51.696.268/0001–40
Nordic Baltic Holding (NBH) AB[6]	1,000	0	0	100.0	Stockholm	556592–7950
Nordea Fastigheter AB[6]	3,380,000	1	1	100.0	Stockholm	556021–4917
Total		**17,723**	**17,659**			

1) Nominal value exptressed in RUB, representing Nordea's participation in Vestkon.
2) Combined ownership, Nordea Bank AB (publ) directly 7.2% and indirectly 92.8% through OOO Promyshlennaya Companiya Vestkon.
3) Merged into Nordea Bank S.A. on 30 December 2013.
4) Credit institutions as defined in the Swedish Annual Account Act for Credit Instituions and Securities Companies (1995:1559).
5) Dissolved on 19 December 2013.
6) Dormant.

Special Purpose Entities (SPEs) – Consolidated
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 1,646m (EUR 1,691m) and at year end 2013 EUR 1,369m (EUR 1,230m) were utilised. There is no outstanding CP issue at year end 2013. Total assets in the conduit were EUR 1,428m (EUR 1,326m) as per year-end, out of which EUR 1,167m (EUR 1,061m) has a maturity of less than one year. 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 releases its assets.

P22 Investments in associated undertakings

EURm	31 Dec 2013	31 Dec 2012
Acquisition value at beginning of year	8	5
Acquisitions during the year	0	3
Sales during the year	–1	—
Acquisition value at end of year	**7**	**8**
– of which listed shares	—	—

31 Dec 2013	Registration number	Domicile	Carrying amount 2013, EURm	Carrying amount 2012, EURm	Voting power of holding %
BDB Bankernas Depå AB	556695–3567	Stockholm	1	1	20
Bankpension Sverige AB	556695–8194	Stockholm	—	1	40
Bankomat AB	556817–9716	Stockholm	6	6	20
Other			0	0	
Total			**7**	**8**	

P23 Intangible assets

EURm	31 Dec 2013	31 Dec 2012
Goodwill allocated to cash generating units		
Retail Banking	354	403
Goodwill, total	**354**	**403**
Computer software	367	264
Other intangible assets	8	3
Other intangible assets, total	**375**	**267**
Intangible assets, total	**729**	**670**
Goodwill		
Acquisition value at beginning of year	1,059	1,059
Acquisition value at end of year	**1,059**	**1,059**
Accumulated amortisation at beginning of year	–656	–607
Amortisation according to plan for the year	–49	–49
Accumulated amortisation at end of year	**–705**	**–656**
Total	**354**	**403**
Computer software		
Acquisition value at beginning of year	340	249
Acquisitions during the year	135	93
Sales during the year	–2	—
Reclassifications	–8	–2
Acquisition value at end of year	**465**	**340**
Accumulated amortisation at beginning of year	–68	–49
Amortisation according to plan for the year	–23	–20
Accumulated amortisation on sales	2	—
Translation differences	0	1
Accumulated amortisation at end of year	**–89**	**–68**
Accumulated impairment charges at beginning of year	–8	–2
Impairment charges during the year	–9	–10
Reclassifications	8	2
Translation differences	—	2
Accumulated impairment charges at end of year	**–9**	**–8**
Total	**367**	**264**
Other intangible assets		
Acquisition value at beginning of year	42	49
Acquisitions during the year	8	1
Sales/disposals during the year	–2	–8
Acquisition value at end of year	**48**	**42**
Accumulated amortisation at beginning of year	–39	–41
Amortisation according to plan for the year	–4	–4
Accumulated amortisation on sales/disposals during the year	2	6
Translation differences	1	—
Accumulated amortisation at end of year	**–40**	**–39**
Total	**8**	**3**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. See Note G20 "Intangible assets" and Note G1 "Accounting policies" section 4 for more information.

P24 Property and equipment

EURm	31 Dec 2013	31 Dec 2012
Property and equipment	118	121
– of which buildings for own use	0	0
Total	**118**	**121**
Equipment		
Acquisition value at beginning of year	270	214
Acquisitions during the year	28	64
Sales/disposals during the year	–30	–8
Translation differences	0	0
Acquisition value at end of year	**268**	**270**
Accumulated depreciation at beginning of year	–149	–133
Accumulated depreciation on sales/disposals during the year	23	6
Depreciations according to plan for the year	–24	–22
Translation differences	0	0
Accumulated depreciation at end of year	**–150**	**–149**
Total	**118**	**121**
Land and buildings		
Acquisition value at beginning of year	0	0
Sales during the year	0	—
Acquisition value at end of year	**0**	**0**
Accumulated depreciation at beginning of year	0	0
Sales during the year	0	—
Depreciation according to plan for the year	0	0
Accumulated depreciation at end of year	**0**	**0**
Total	**0**	**0**

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 2013	31 Dec 2012
Leasing expenses during the year	–113	–97
– of which minimum lease payments	–113	–97
Leasing income during the year regarding sublease payments	39	39

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

EURm	31 Dec 2013
2014	66
2015	51
2016	45
2017	34
2018	27
Later years	257
Total	**480**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 254m. EUR 237m of the subleases are towards group undertakings.

P25 Other assets

EURm	31 Dec 2013	31 Dec 2012
Claims on securities settlement proceeds	484	273
Anticipated dividends from group undertakings	742	468
Group Contributions	459	303
Other	848	669
Total	**2,533**	**1,713**

P26 Prepaid expenses and accrued income

EURm	31 Dec 2013	31 Dec 2012
Accrued interest income	396	458
Other accrued income	170	138
Prepaid expenses	725	676
Total	**1,291**	**1,272**

P27 Deposits by credit institutions

EURm	31 Dec 2013	31 Dec 2012
Central banks	3,707	3,224
Banks	13,095	15,553
Other credit institutions	698	565
Total	**17,500**	**19,342**

P28 Deposits and borrowings from the public

EURm	31 Dec 2013	31 Dec 2012
Deposits from the public	46,150	48,822
Borrowings from the public	1,381	1,441
Total	**47,531**	**50,263**

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included.

P29 Debt securities in issue

EURm	31 Dec 2013	31 Dec 2012
Commercial papers	28,853	15,219
Bond loans	34,029	32,962
Other	79	104
Total	**62,961**	**48,285**

P30 Other liabilities

EURm	31 Dec 2013	31 Dec 2012
Liabilities on securities settlement proceeds	202	173
Sold, not held, securities	244	559
Accounts payable	29	29
Other	3,698	874
Total	**4,173**	**1,635**

P31 Accrued expenses and prepaid income

EURm	31 Dec 2013	31 Dec 2012
Accrued interest	544	561
Other accrued expenses	391	296
Prepaid income	215	611
Total	**1,150**	**1,468**

P32 Provisions

EURm	31 Dec 2013	31 Dec 2012
Provision for restructuring costs	36	28
Transfer risk, off-balance	2	5
Guarantees	139	114
Other	7	1
Total	**184**	**148**

	Restructuring	Transfer risk	Guarantees	Other	Total
At beginning of year	28	5	114	1	148
New provisions made	15	1	69	11	96
Provisions utilised	–6	0	–10	–5	–21
Reversals	0	–4	–34	0	–38
Translation differences	–1	0	0	0	–1
At end of year	**36**	**2**	**139**	**7**	**184**

Provision for restructuring costs amounts to EUR 36m and covers termination benefits (EUR 29m) and other provisions mainly related to redundant premises (EUR 8m). Provision for transfer risk is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note P15 "Loans and impairment". Provision for transfer risk is depending on the volume of business with different countries. Loan loss provisions for guarantees amounts to EUR 139m of wich EUR 137m covers the guarantee in favour of Nordea Bank Finland Plc and EUR 2m covers the guarantee in favour of Nordea Bank Polska S.A.

P33 Retirement benefit obligations

Pension provisions

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions on the balance sheet pertain almost exclusively to former employees of Postgirot Bank. EUR 133m (EUR 148m) 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

	31 Dec 2013	31 Dec 2012
Present value of commitments relating to in whole or in part funded pension plans	–1,202	–1,304
Fair value at the end of the period relating to specifically separated assets	1,303	1,322
Surplus in the pension foundation	**101**	**18**
Present value of commitments relating to unfunded pension plans	–166	–182
Unrecognised surplus in the pension foundation	–101	–18
Reported liability net on the balance sheet	**–166**	**–182**

Specification of changes in the liability recognised on balance sheet as pension

	31 Dec 2013	31 Dec 2012
Balance at 1 Jan recognised as pension commitments	182	153
Pensions paid related to former employees of Postgirot Bank	–7	–7
Actuarial pension calculations	0	26
Effect of exchange rate changes	–9	10
Balance at 31 Dec	**166**	**182**

Specification of cost and income in respect of pensions

	2013	2012
Pensions paid related to former employees of Postgirot Bank	–7	–7
Pensions paid covered by the pension foundation	–67	–64
Actuarial pension calculation	7	–19
Defined benefit plans	**–67**	**–90**
Defined contribution plans	–59	–54
Pension costs[1]	**–126**	**–144**
Return on specifically separated assets, %	3.0	8.2

1) See Note P8 "Staff costs".

Actual value of holdings in pension foundations

EURm	31 Dec 2013	31 Dec 2012
Shares	326	274
Interest-bearing securities	955	1,009
Other assets	22	39
Total	**1,303**	**1,322**

P33 Retirement benefit obligations, cont.

Assumptions for defined benefit obligations

	2013	2012
Discount rate	2.2%	1.9%
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 69m.

P34 Subordinated liabilities

EURm	31 Dec 2013	31 Dec 2012
Dated subordinated debenture loans	4,107	5,160
Hybrid capital loans	1,864	1,971
Total	**5,971**	**7,131**

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

At 31 December 2013 five loans – with terms specified below – exceeded 10 % of the total outstanding volume dated subordinated loans.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,000	996	Fixed
Dated loan[2]	750	747	Fixed
Dated loan[3]	750	747	Fixed
Dated loan[4]	906	899	Fixed
Dated loan[5]	725	718	Fixed

1) Maturity date 26 March 2020.
2) Maturity date 29 March 2021.
3) Call date 15 February 2017, maturity date 15 February 2022.
4) Maturity date 13 May 2021.
5) Maturity date 21 September 2022.

P35 Untaxed reserves

EURm	31 Dec 2013	31 Dec 2012
Tax allocation reserve	—	103
Accumulated excess deprepreciton, equipment	3	5
Total	**3**	**108**

P36 Assets pledged as security for own liabilities

EURm	31 Dec 2013	31 Dec 2012
Assets pledged for own liabilities		
Securities etc[1]	2,454	4,230
Total	**2,454**	**4,230**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	1,788	1,977
Deposits and borrowings from the public	2,380	2,480
Total	**4,168**	**4,457**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P45 "Transferred assets and obtained collaterals" which are permitted to be sold or repledged.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

P37 Other assets pledged

EURm	31 Dec 2013	31 Dec 2012
Other assets pledged[1]		
Securities etc	7,033	6,225
Total	**7,033**	**6,225**

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

Securities etc. includes interest-bearing securities pledged as security for payment settlements within the Central bank of Sweden. The terms and conditions require day to day security and relate to liquidity intraday/over night.

P38 Contingent liabilities

EURm	31 Dec 2013	31 Dec 2012
Guarantees		
– Loan guarantees	69,815	70,514
– Other guarantees	570	15,774
Other contingent liabilities	0	4
Total	**70,385**	**86,292**

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 covering all commitments in Nordea Fastigheter AB, org no 556021–4917.

Nordea Bank AB (publ) has in December 2012 issued a guarantee of maximum EUR 60bn in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The guarantee covers EUR 20bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 5bn of derivatives are covered by the guarantee as of 31 December 2013. The maximum amount of derivatives guaranteed is EUR 10bn. The guarantee increased the RWA by EUR 12bn. The guarantee will generate commission income, while the losses recognised on the guaranteed exposures will be transferred to Nordea Bank AB (publ). The guarantee is priced at arm's length, including expected credit losses and the cost of capital required by the guarantee. All internal transactions in the guarantee are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has issued a guarantee of EUR 1,258m in favour of Nordea Bank Polska S.A. The guarantee covers a mortgage loan portfolio with real estate as collateral.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age.

Legal proceedings

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

P39 Commitments

EURm	31 Dec 2013	31 Dec 2012
Credit commitments[1]	26,713	26,270
Total	**26,713**	**26,270**

1) Including unutilised portion of approved overdraft facilities of EUR 12,845m (EUR 12,952m).

For information about derivatives see Note P19 "Derivatives and hedge accounting".

P40 Capital adequacy

Items included in the capital base

EURm	31 Dec 2013	31 Dec 2012
Tier 1 capital		
Paid-up capital	4,050	4,050
Share premium	1,080	1,080
Eligible capital	**5,130**	**5,130**
Reserves	12,838	10,759
Income from current year	1,955	3,474
Eligible reserves	**14,793**	**14,233**
Core tier 1 capital (before deductions)	**19,923**	**19,363**
Subordinated capital loans	**1,949**	**1,992**
Proposed/actual dividend	–1,734	–1,370
Deferred tax assets	–28	–19
Intangible assets	–729	–670
IRB provisions shortfall (–)	–81	–52
Deductions	**–2,572**	**–2,111**
Tier 1 capital (net after deductions)	**19,300**	**19,244**
– of which hybrid capital	1,949	1,992
– of which core tire 1 capital (net of deductions)	17,351	17,252
Tier 2 capital		
Dated subordinated loans	4,107	4,676
Other additional own funds	36	30
Tier 2 capital (before deductions)	**4,143**	**4,706**
IRB provisions excess (+)/shortfall (–)	–81	–52
Deductions	**–81**	**–52**
Tier 2 capital (net after deductions)	**4,062**	**4,654**
Capital base	**23,362**	**23,898**

Capital requirements and RWA

	31 Dec 2013		31 Dec 2012	
EURm	Capital requirement	Basel II RWA	Capital requirement	Basel II RWA
Credit risk	**6,296**	**78,700**	**7,494**	**93,670**
IRB foundation	3,428	42,854	4,752	59,394
– of which corporate	3,100	38,749	4,404	55,051
– of which institutions	105	1,318	140	1,751
– of which retail	180	2,254	188	2,345
– of which other	43	533	20	247
Standardised	2,868	35,846	2,742	34,276
– of which sovereign	2	26	2	21
– of which retail	101	1,258	106	1,327
– of which other	2,765	34,562	2,634	32,928
Market risk	**128**	**1,596**	**123**	**1,539**
– of which trading book, Internal Approach	34	429	39	484
– of which trading book, Standardised Approach	5	59	20	246
– of which banking book, Standardised Approach	89	1,108	64	809
Operational risk	**250**	**3,121**	**219**	**2,739**
– of which standardised	250	3,121	219	2,739
Sub total	**6,674**	**83,417**	**7,836**	**97,948**
Adjustment for transition rules				
Additional capital requirement according to transition rules	—	—	—	—
Total	**6,674**	**83,417**	**7,836**	**97,948**

More Capital Adequacy information can be found in the "Risk, Liquidity and Capital Management" section page 63.

P41 Classification of financial instruments

31 Dec 2013, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	45	—	—	—	—	—	—	45
Treasury bills	—	17	4,935	—	—	—	—	4,952
Loans to credit institutions	80,104	—	271	543	—	—	—	80,918
Loans to the public	30,337	—	—	3,818	—	—	—	34,155
Interest-bearing securities	—	321	1,981	—	—	8,826	—	11,128
Financial instruments pledged as collateral	—	—	737	—	—	—	—	737
Shares	—	—	5,321	30	—	—	—	5,351
Derivatives	—	—	2,531	—	1,688	—	—	4,219
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–11	—	—	—	—	—	—	–11
Investments in group undertakings	—	—	—	—	—	—	17,723	17,723
Investments in associated undertakings	—	—	—	—	—	—	7	7
Intangible assets	—	—	—	—	—	—	729	729
Property and equipment	—	—	—	—	—	—	118	118
Deferred tax assets	—	—	—	—	—	—	28	28
Current tax assets	—	—	—	—	—	—	0	0
Other assets	780	—	—	—	—	—	1,753	2,533
Prepaid expenses and accrued income	1,121	—	—	—	—	—	170	1,291
Total	**112,376**	**338**	**15,776**	**4,391**	**1,688**	**8,826**	**20,528**	**163,923**

31 Dec 2013, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	753	2,071	—	14,676	—	17,500
Deposits and borrowings from the public	—	908	—	46,623	—	47,531
Debt securities in issue	0	0	—	62,961	—	62,961
Derivatives	2,614	—	1,013	—	—	3,627
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	715	—	715
Current tax liabilities	—	—	—	—	11	11
Other liabilities	244	0	—	2,925	1,004	4,173
Accrued expenses and prepaid income	—	—	—	759	391	1,150
Deferred tax liabilities	—	—	—	—	10	10
Provisions	—	—	—	—	184	184
Retirement benefit liabilities	—	—	—	—	166	166
Subordinated liabilities	—	—	—	5,971	—	5,971
Total	**3,611**	**2,979**	**1,013**	**134,630**	**1,766**	**143,999**

P41 Classification of financial instruments, cont.

31 Dec 2012, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	180	—	—	—	—	—	—	180
Treasury bills	—	17	5,075	—	—	—	—	5,092
Loans to credit institutions	66,960	—	312	734	—	—	—	68,006
Loans to the public	31,712	—	—	4,502	—	—	—	36,214
Interest-bearing securities	—	865	4,510	—	—	6,219	—	11,594
Financial instruments pledged as collateral	—	—	104	—	—	—	—	104
Shares	—	—	4,712	30	—	—	—	4,742
Derivatives	—	—	3,354	—	2,498	—	—	5,852
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–1,157	—	—	—	—	—	—	–1,157
Investments in group undertakings	—	—	—	—	—	—	17,659	17,659
Investments in associated undertakings	—	—	—	—	—	—	8	8
Intangible assets	—	—	—	—	—	—	670	670
Property and equipment	—	—	—	—	—	—	121	121
Deferred tax assets	—	—	—	—	—	—	19	19
Current tax assets	—	—	—	—	—	—	41	41
Other assets	560	—	—	—	—	—	1,153	1,713
Prepaid expenses and accrued income	1,134	—	—	—	—	—	138	1,272
Total	**99,389**	**882**	**18,067**	**5,266**	**2,498**	**6,219**	**19,809**	**152,130**

31 Dec 2012, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	104	1,855	—	17,383	—	19,342
Deposits and borrowings from the public	—	2,498	—	47,765	—	50,263
Debt securities in issue	—	—	—	48,285	—	48,285
Derivatives	3,659	—	507	—	—	4,166
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	16	—	16
Current tax liabilities	—	—	—	—	3	3
Other liabilities	560	—	—	560	515	1,635
Accrued expenses and prepaid income	—	—	—	1,172	296	1,468
Deferred tax liabilities	—	—	—	—	8	8
Provisions	—	—	—	—	148	148
Retirement benefit liabilities	—	—	—	—	182	182
Subordinated liabilities	—	—	—	7,131	—	7,131
Total	**4,323**	**4,353**	**507**	**122,312**	**1,152**	**132,647**

P41 Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2013	31 Dec 2012
Carrying amount	4,361	5,236
Maximum exposure to credit risk	4,361	5,236

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 are measured at fair value and classified into the category "Fair value through profit or loss". The funding of Markets is generally of such a short term nature that the effect of charges in own credit risk is not significant.

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

2013, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	2,979	2,979

2012, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	4,353	4,353

P42 Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2013		31 Dec 2012	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	45	45	180	180
Treasury bills	4,952	4,952	5,092	5,092
Loans	115,062	115,062	103,063	104,938
Interest-bearing securities	11,128	11,135	11,594	11,970
Financial instruments pledged as collateral	737	737	104	104
Shares	5,351	5,351	4,742	4,742
Derivatives	4,219	4,219	5,852	5,852
Other assets	780	780	560	560
Prepaid expenses and accrued income	1,121	1,121	1,134	1,134
Total financial assets	**143,395**	**143,402**	**132,321**	**134,572**
Financial liabilities				
Deposits and debt instruments	134,678	135,333	125,037	123,711
Derivatives	3,627	3,627	4,166	4,166
Other liabilities	3,169	3,169	1,120	1,120
Accrued expenses and prepaid income	759	759	1,172	1,172
Total financial liabilities	**142,233**	**142,888**	**131,495**	**130,169**

For information about valutation of items measured at fair value on the balance sheet, see Note G1 "Accounting policies" and the section "Determination of fair value items measured at fair value on the balance sheet" in Note G42 "Assets and liabilities at fair value". For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on balance sheet", below.

P42 Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2013, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	542	4,393	—	4,935
Loans to credit institutions	—	814	—	814
Loans to the public	—	3,818	—	3,818
Interest-bearing securities[2]	11,055	330	159	11,544
Shares	5,326	—	25	5,351
Derivatives	14	4,183	22	4,219
Total	**16,937**	**13,538**	**206**	**30,681**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	—	2,824	—	2,824
Deposits and borrowings from the public	—	908	—	908
Derivatives	17	3,606	4	3,627
Other liabilities	95	149	—	244
Total	**112**	**7,487**	**4**	**7,603**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 737m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2012, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	2,839	2,236	—	5,075
Loans to credit institutions	—	1,046	—	1,046
Loans to the public	—	4,502	—	4,502
Interest-bearing securities[2]	8,036	2,634	163	10,833
Shares	4,712	—	30	4,742
Derivatives	13	5,839	—	5,852
Total	**15,600**	**16,257**	**193**	**32,050**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	—	1,959	—	1,959
Deposits and borrowings from the public	—	2,498	—	2,498
Derivatives	17	4,148	0	4,165
Other liabilities	—	560	—	560
Total	**17**	**9,165**	**0**	**9,182**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 104m 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 G42 "Assets and liabilities at fair value".

Transfers between level 1 and 2

During the year, the parent company transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 253m (EUR 871m) from Level 1 to Level 2 and EUR 223m (EUR 453m) from Level 2 to Level 1 of the fair value hierarchy. 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 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.

P42 Assets and liabilities at fair value, cont.

Movements in Level 3

2013, EURm	1 Jan 2013	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Settlements	Net transfers into Level 3	Translation differences	31 Dec 2013
Interest-bearing securities	163	—	—	–4	—	—	159
Shares	30	—	—	—	—	–5	25
Derivatives (net)	0	—	–4	—	22	—	18

Unrealised gains and losses relates to those assets and liabilities held at the end of the year. The parent company has transferred derivatives of EUR 22m from Level 2 into Level 3 during the year. The reason for the transfer from Level 2 to Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note P5). Assets and liabilities related to derivatives are presented net.

2012, EURm	1 Jan 2012	Realised	Unrealised	Settlements	Net transfers into/out of level 3	Translation differences	31 Dec 2012
Interest-bearing securities	163	—	—	—	—	—	163
Shares	34	—	—	–4	—	—	30
Derivatives (net of assets and liabilities)	0	—	—	—	—	—	0

Unrealised gains and losses relates to those assets and liabilities held at the end of the year. There have been no transfers into or out of Level 3 during 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

For information about the valuation processes, see Note G42 "Assets and liabilities at fair value".

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

31 Dec 2013, EURm	Fair value	Valuation techniques
Shares		
Unlisted shares	25	Net asset value[1]
Total[1]	**25**	

31 Dec 2013, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value[2]
Derivatives				
Interest rate derivatives	18	Option model	Correlations Volatilities	+/– 0
Total	**18**			

31 Dec 2013, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value[3]
Interest-bearing securities				
Credit institutions[4]	159	Discounted cash flows	Credit spread	+/– 0
Total	**159**			

1) Effects of reasonably possible alternative assumptions are +/– 2 for both 2013 and 2012.
2) No derivates in Level 3 2012.
3) Range of fair value for interest-bearing securities 31 Dec 2012 was EUR +/– 0.
4) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LTBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

The tables above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilites the fair value sensitivity to changes in key assumptions.

Fair value of assets and liabilities in Level 3 are estimated using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in

P42 Assets and liabilities at fair value, cont.

those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. For financial instruments portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see Note G1 section 11 "Determination of fair value of financial instruments").

The column "range of fair value" and the footnote 1 and 3 in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

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

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

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

31 Dec 2013, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	45	45	1
Treasury bills	17	17	2
Loans	110,430	110,430	3
Interest-bearing securities	321	328	1, 2
Other assets	780	780	3
Prepaid expenses and accrued income	1,121	1,121	3
Total	**112,714**	**112,721**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	130,946	131,601	3
Other liabilities	2,925	2,925	3
Accrued expenses and prepaid income	759	759	3
Total	**134,630**	**135,285**	

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

Loans
The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rates in the portfolios. No adjustment has been made for changes in fair value of credit risk. The average probability of default (PD) for loans to credit institutions has been relatively unchanged. However the average PDs for retail customers has decreased which is an indication of that the fair value for loans to retail customers is higher than the calculated fair value and the average PDs for loans to corporates has increased thus indicating that the fair value for loans to corporate customers is lower than the calculated fair value. The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Treasury bills and interest bearing-securities
The fair value is EUR 345m, of which EUR 207m is catergorised in Level 1 and EUR 138m in Level 2 of the fair value hierarchy. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income
The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is caterorised 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 issuance recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

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

P43 Financial instruments set off on balance or subject to netting agreements

31 Dec 2013, EURm	Gross recognised financial liabilities[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	3,693	–102	3,591	–1,886	–1	–1,228	476
Reverse repurchase agreements	211	—	211	–211	—	—	0
Securities borrowing agreements	4,354	—	4,354	—	–4,354	—	0
Total	**8,258**	**–102**	**8,156**	**–2,097**	**–4,355**	**–1,228**	**476**

31 Dec 2013, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	3,074	–102	2,972	–1,886	—	–123	963
Repurchase agreements	693	—	693	–211	–482	—	0
Securities lending agreements	2,979	—	2,979	—	–2,979	—	0
Total	**6,746**	**–102**	**6,644**	**–2,097**	**–3,461**	**–123**	**963**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as "Loans to credit institutions" or "Loans to the public". Repurchase agreements and Securities lending agreements are on the balance sheet classified as "Deposits by credit institution" or as "Deposits and borrowings from the public".

31 Dec 2012, EURm	Gross recognised financial liabilities[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	5,546	—	5,546	–2,066	—	–2,591	889
Reverse repurchase agreements	19	—	19	–19	—	—	0
Securities borrowing agreements	5,227	—	5,227	—	–5,227	—	0
Total	**10,792**	**—**	**10,792**	**–2,085**	**–5,227**	**–2,591**	**889**

31 Dec 2012, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	3,863	—	3,863	–2,066	—	–11	1,786
Repurchase agreements	104	—	104	–19	–85	—	0
Securities lending agreements	4,352	—	4,352	—	–4,352	—	0
Total	**8,319**	**—**	**8,319**	**–2,085**	**–4,437**	**–11**	**1,786**

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.

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 and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. The reason why the netted exposures are not reflected under assets and liabilities on the balance sheet, would in most instances depend on the limited application of net settlement of financial transactions.

P44 Assets and liabilities in foreign currencies

31 Dec 2013, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	47.2	58.1	4.6	4.7	34.6	14.7	163.9
Total liabilities	27.1	58.3	4.6	4.7	34.6	14.7	144.0

31 Dec 2012, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	43.1	59.7	10.0	5.0	20.2	14.1	152.1
Total liabilities	29.9	60.0	6.5	1.9	20.2	14.1	132.6

P45 Transferred assets and obtained collaterals

Transferred assets that are still recognised on the balance sheet and associated liabilities

All assets transferred and the liabilities associated with these transactions are specified in the following tables. The assets continue to be recognised on the balance sheet since Nordea is still exposed to changes in the fair value of the assets. Therefore, these assets and its associated liabilities are included in the tables below.

EURm	31 Dec 2013	31 Dec 2012
Repurchase agreements		
Treasury bills	737	104
Total	**737**	**104**

Liabilities associated with the assets

EURm	31 Dec 2013	31 Dec 2012
Repurchase agreements		
Deposits by credit institutions	753	104
Total	**753**	**104**

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 2013	31 Dec 2012
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	268	309
– of which repledged or sold	268	309
Securities borrowing agreements		
Received collaterals which can be repledged or sold	2,077	4,052
– of which repledged or sold	2,077	4,052
Total	**2,345**	**4,361**

P46 Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2013, EURm			31 Dec 2012, 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		45	—	45	180	—	180
Treasury bills	P14	—	4,952	4,952	217	4,875	5,092
Loans to credit institutions	P15	64,337	16,581	80,918	46,932	21,074	68,006
Loans to the public	P15	30,308	3,847	34,155	20,319	15,895	36,214
Interest-bearing securities	P16	2,237	8,891	11,128	2,056	9,538	11,594
Financial instruments pledged as collateral	P17	737	—	737	104	—	104
Shares	P18	5,321	30	5,351	4,712	30	4,742
Derivatives	P19	744	3,475	4,219	424	5,428	5,852
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	–2	–9	–11	–11	–1,146	–1,157
Investments in group undertakings	P21	—	17,723	17,723	—	17,659	17,659
Investments in associated undertakings	P22	—	7	7	—	8	8
Intangible assets	P23	—	729	729	—	670	670
Property and equipment	P24	—	118	118	—	121	121
Deferred tax assets	P13	19	9	28	5	14	19
Current tax assets		0	—	0	41	—	41
Other assets	P25	2,533	—	2,533	1,713	—	1,713
Prepaid expenses and accrued income	P26	850	441	1,291	712	560	1,272
Total assets		**107,129**	**56,794**	**163,923**	**77,404**	**74,726**	**152,130**
Deposits by credit institutions	P27	13,356	4,144	17,500	15,321	4,021	19,342
Deposits and borrowings from the public	P28	47,412	119	47,531	50,254	9	50,263
Debt securities in issue	P29	35,606	27,355	62,961	20,615	27,670	48,285
Derivatives	P19	763	2,864	3,627	532	3,634	4,166
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	52	663	715	—	16	16
Current tax liabilities		11	—	11	3	—	3
Other liabilities	P30	4,173	—	4,173	1,635	—	1,635
Accrued expenses and prepaid income	P31	1,150	—	1,150	1,462	6	1,468
Deferred tax liabilities	P13	10	—	10	8	—	8
Provisions	P32	42	142	184	129	19	148
Retirement benefit liabilities	P33	—	166	166	182	—	182
Subordinated liabilities	P34	—	5,971	5,971	5	7,126	7,131
Total liabilities		**102,575**	**41,424**	**143,999**	**90,146**	**42,501**	**132,647**

P46 Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2013, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	—	202	482	4,687	814	6,185
Loans to credit institutions	35	47,340	16,639	13,358	6,021	83,393
Loans to the public	—	11,085	4,586	16,991	4,304	36,966
Interest bearing securities	—	327	2,845	7,450	1,965	12,587
Other	—	—	—	—	11,519	11,519
Total financial assets	**35**	**58,954**	**24,552**	**42,486**	**24,623**	**150,650**
Deposits by credit institutions	1,855	10,808	1,468	3,515	184	17,830
Deposits and borrowings from the public	36,191	8,361	1,634	1,171	294	47,651
– of which Deposits	36,191	8,361	1,634	1,171	294	47,651
Debt securities in issue	—	23,414	13,230	25,119	12,631	74,394
– of which Debt securities in issue	—	23,253	13,110	22,377	7,630	66,370
– of which Other	—	161	120	2,742	5,001	8,024
Other	—	—	—	—	28,209	28,209
Total financial liabilities	**38,046**	**42,583**	**16,332**	**29,805**	**41,318**	**168,084**
Derivatives, cash inflow	—	22,486	21,415	32,842	6,480	83,223
Derivatives, cash outflow	—	22,123	20,049	33,955	5,809	81,936
Net exposure	**—**	**363**	**1,366**	**–1,113**	**671**	**1,287**
Exposure	**–38,011**	**16,734**	**9,586**	**11,568**	**–16,024**	**–16,147**
Cumulative exposure	**–38,011**	**–21,277**	**–11,691**	**–123**	**–16,147**	**—**

31 Dec 2012, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	—	—	295	4,671	702	5,668
Loans to credit institutions	2,095	36,186	9,094	15,833	5,929	69,137
Loans to the public	4,496	8,614	5,235	17,909	2,408	38,662
Interest bearing securities	—	584	2,078	9,496	707	12,865
Other	—	—	—	—	11,307	11,307
Total financial assets	**6,591**	**45,384**	**16,702**	**47,909**	**21,053**	**137,639**
Deposits by credit institutions	1,462	12,438	2,751	2,693	155	19,499
Deposits and borrowings from the public	35,417	11,962	2,794	261	384	50,818
– of which Deposits	35,417	11,962	2,794	261	384	50,818
Debt securities in issue	—	14,260	7,893	25,646	13,223	61,022
– of which Debt securities in issue	—	14,098	7,241	22,759	8,057	52,155
– of which Other	—	162	652	2,887	5,166	8,867
Other	—	—	—	—	26,442	26,442
Total financial liabilities	**36,879**	**38,660**	**13,436**	**28,600**	**40,204**	**157,781**
Derivatives, cash inflow	—	29,008	16,334	33,202	7,123	85,667
Derivatives, cash outflow	—	22,752	29,769	24,382	6,256	83,159
Net exposure	**—**	**6,256**	**–13,435**	**8,820**	**867**	**2,508**
Exposure	**–30,288**	**12,980**	**–10,171**	**28,129**	**–18,284**	**–17,634**
Cumulative exposure	**–30,288**	**–17,308**	**–27,479**	**650**	**–17,634**	**—**

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the instruments on the balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 26,713m (EUR 26,270m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 70,385m (EUR 86,288m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section of Risk, Liquidity and Capital management.

P47 Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1 "Accounting policies", section 26 and Note G48 "Related-party transactions".

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Assets						
Loans and receivables	80,672	66,608	141	44	—	—
Interest-bearing securities	117	231	—	—	—	—
Derivatives	1,766	2,062	6	26	—	—
Investments in associated undertakings	—	—	7	8	—	—
Investments in group undertakings	17,723	17,659	—	—	—	—
Other assets	847	442	—	—	—	—
Prepaid expenses and accrued income	768	725	—	—	—	—
Total assets	**101,893**	**87,727**	**154**	**78**	**—**	**—**

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Liabilities						
Deposits	6,688	8,652	2	1	21	27
Debt securities in issue	340	156	—	—	—	—
Derivatives	2,252	3,138	—	—	—	—
Other liabilities	267	223	—	—	—	—
Accrued expenses and deferred income	172	378	—	—	—	—
Total liabilities	**9,719**	**12,547**	**2**	**1**	**21**	**27**
Off balance[1]	**77,684**	**90,565**	**1,931**	**1,910**	**—**	**—**

1) Including guarantees to Nordea Bank Finland Plc and Nordea Bank Polska S.A., see Note P38 "Contingent liabilities" as well as nominal values on derivatives in associated undertakings.

	Group undertakings		Associated undertakings		Other related parties	
EURm	2013	2012	2013	2012	2013	2012
Net interest income and expenses	209	601	1	1	0	—
Net fee and commission income	612	230	—	—	—	—
Net result from items at fair value	525	–351	9	40	—	0
Other operating income	637	473	—	—	—	—
Total operating expenses	–133	–158	—	—	—	—
Profit before loan losses	**1,850**	**795**	**10**	**41**	**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 G48 "Related-party transactions".

Signing of the Annual Report

The Board of Directors and the President and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European parliament and councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

5 February 2014

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Kari Ahola
Board member[1]

Peter F Braunwalder
Board member

Elisabeth Grieg
Board member

Svein Jacobsen
Board member

Tom Knutzen
Board member

Toni H. Madsen
Board member[1]

Lars G Nordström
Board member

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Kari Stadigh
Board member

Christian Clausen
President and CEO

Our audit report was submitted on 6 February 2014

KPMG AB

Hans Åkervall
Authorised Public Accountant

1) Employee representative.

Auditor's report

To the annual meeting of the shareholders of Nordea Bank AB (publ)
Corporate identity number 516406-0120

Report on the annual accounts and the consolidated accounts

We have audited the annual accounts and the consolidated accounts of Nordea Bank AB (publ) for the year 2013. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 46–209.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and the consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 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 2013 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Director's report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Business Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Director's report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

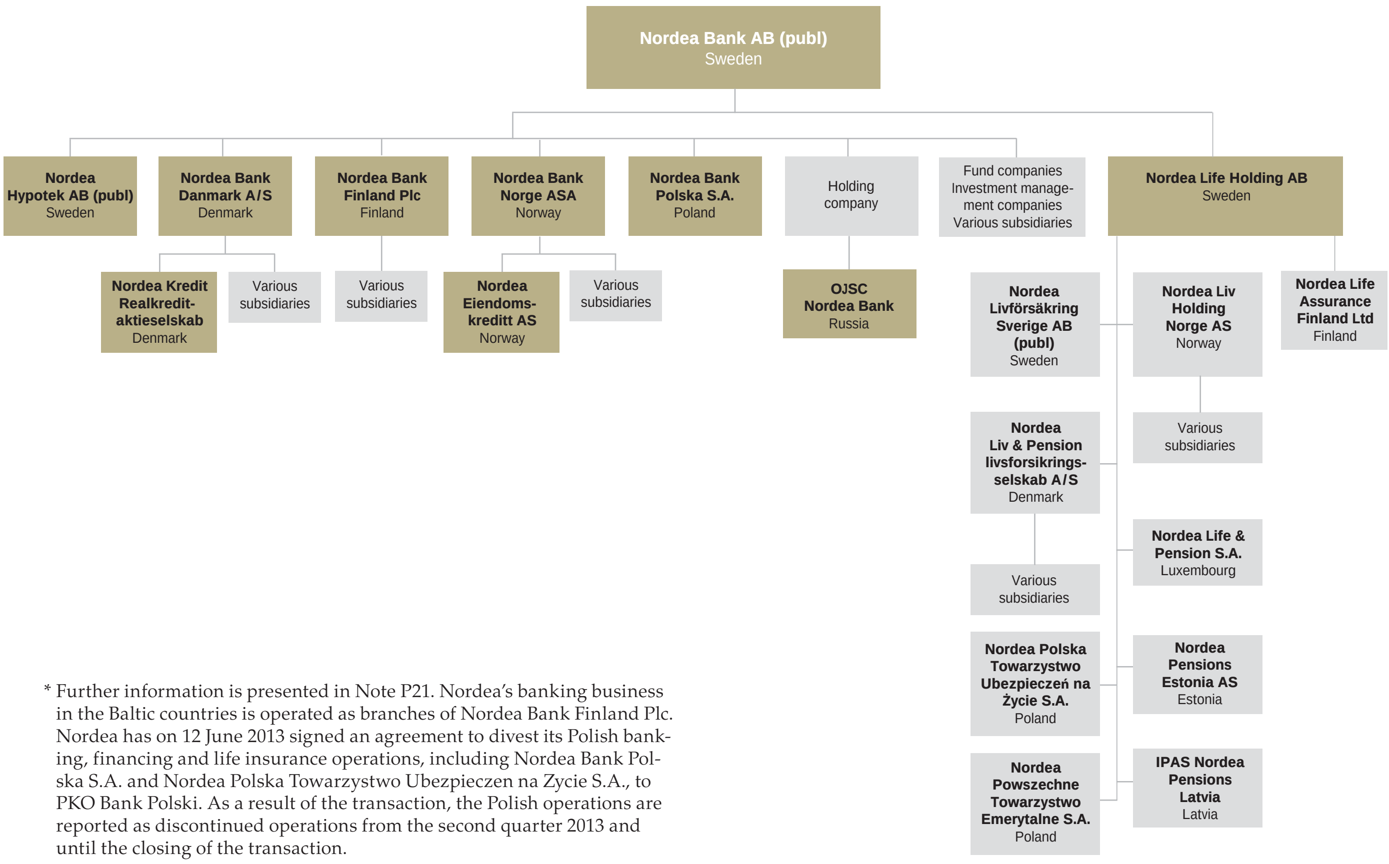
Stockholm, 6 February 2014

KPMG AB

Hans Åkervall
Authorised Public Accountant

Legal structure

Main legal structure*, as of 31 December 2013



* Further information is presented in Note P21. Nordea's banking business in the Baltic countries is operated as branches of Nordea Bank Finland Plc. Nordea has on 12 June 2013 signed an agreement to divest its Polish banking, financing and life insurance operations, including Nordea Bank Polska S.A. and Nordea Polska Towarzystwo Ubezpieczen na Zycie S.A., to PKO Bank Polski. As a result of the transaction, the Polish operations are reported as discontinued operations from the second quarter 2013 and until the closing of the transaction.

Board of Directors


Björn Wahlroos


Marie Ehrling


Peter F Braunwalder


Elisabeth Grieg


Svein Jacobsen


Tom Knutzen


Lars G Nordström


Sarah Russell

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 Oyj.
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 of Mandatum Bank plc
1992–1997	President of Mandatum & Co Ltd
1985–1992	Various positions with Union Bank of Finland including executive vice president and member of the executive committee 1989–1992
1983–1984	Visiting associate professor in Managerial Economics and Decision Sciences at Kellogg Graduate School of Management, Northwestern University
1980–1981	Visiting assistant professor in Economics at Brown University
1979–1985	Professor and acting professor of Economics at Hanken School of Economics
1974–1979	Acting lecturer and assistant professor in Finance at Hanken School of Economics

Shareholding in Nordea: 100,000*

Marie Ehrling
Vice Chairman
BSc (Economics). Board member since 2007 and Vice Chairman since 2011. Born 1955.
Nationality Swedish.
Board Chairman of the TeliaSonera AB (publ)
Board member of Securitas AB, Oriflame Cosmetics SA, Schibsted ASA and Axel Johnson AB.
Other assignments: Chairman of the Norwegian Swedish Chamber of Commerce. Board member of Centre for Advanced Studies of Leadership at Stockholm School of Economics. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

Previous positions:

2003–2006	CEO TeliaSonera Sverige AB
1982–2002	Deputy CEO SAS Group, Head of SAS Airline and other executive positions within the SAS group
1980–1982	Information officer at the Ministry of Finance
1979–1980	Information officer at the Ministry of Education
1977–1979	Financial analyst at Fourth Swedish National Pension Fund

Shareholding in Nordea: 3,075*

Peter F Braunwalder
Lic.rer.pol (Master of Economics). Board member since 2012.
Born 1950. Nationality Swiss and British.
Board Chairman of Thommen Medical AG.
Other assignments: Board member of the Menuhin Festival Gstaad.

Previous positions:

2002–2008	Chief Executive Officer HSBC Private Bank
1982–2001	Various executive management and other positions within UBS investment banking and private banking

Shareholding in Nordea: 10,000*

Elisabeth Grieg
Bachelor (Economics) and Master (Human resources management). Board member since 2013. Born 1959. Nationality: Norwegian.
CEO of Grieg International AS.
Board Chair of Grieg Star Group AS.
Board member of Grieg Maturitas and several other companies within the Grieg Group.
Other assignments: Board member of the Grieg Foundation and the SOS Children's Villages Norway. Member of the Nordic Committee of Det Norske Veritas (DNV) and the Confederation of Norwegian Enterprises (NHO). Advisory board member of Bellona (Sahara Forest Project).

Previous positions:

2011–2013	Board Chair of Norwegian Guarantee Institute for Export Credits (GIEK)
2002–2010	President (2008-2010), Vice president (2004-2008) and Board member (2002-2004) of Norwegian Shipowners' Association
2007–2010	Board member of Statoil ASA
2001–2010	Board member of Norsk Hydro ASA including deputy chair (2006-2007) and acting chair (2007)
1985–1987	Analyst in Shipping Division of Bergen Bank
1982–1985	Chartering assistant of Star Shipping, San Francisco and New York

Shareholding in Nordea: 0*

Svein Jacobsen
MBA. Certified public accountant. Board member since 2008.
Born 1951. Nationality Norwegian.
Board Chairman of Serodus ASA, PSI Group ASA and Falkenberg AS.
Board member of Heidenreich Holding AS and Isco Group AS.
Other assignments: Member of the Advisory Board in CVC Capital Partners.

Previous positions:

2000–2011	Deputy Chairman of Orkla ASA
2000–2010	Board Chairman Expert ASA
2007–2009	Board Chairman Think Global ASA
1984–1996	Various positions within Tomra Systems including CEO 1988–1996

Shareholding in Nordea: 5,000*


Kari Stadigh


Kari Ahola


Toni H. Madsen


Lars Oddestad


Hans Christian Riise

Tom Knutzen
MSc (Economics). Board member since 2007. Born 1962.
Nationality Danish.
CEO Jungbunzlauer Suisse AG.
Board member of FLSmidt & Co A/S.

Previous positions:

2006–2011	CEO Danisco A/S
2000–2006	CEO NKT Holding A/S
1996–2000	CFO NKT Holding A/S
1988–1996	Various positions within Niro A/S
1985–1988	Various positions within Fællesbanken

Shareholding in Nordea: 47,750*

Lars G Nordström
Law studies at Uppsala University. Board member since 2003.
Born 1943. Nationality Swedish.
Board Chairman of Vattenfall AB.
Board member of Viking Line Abp.
Other assignments: Board Chairman of the Finnish-Swedish Chamber of Commerce. Board member of the Swedish-American Chamber of Commerce. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Honory Consul of Finland in Sweden.

Previous positions:

2008–2011	President and Group CEO of Posten Norden AB
2006–2010	Board member of TeliaSonera AB
2005–2009	Board Chairman of the Royal Swedish Opera
2002–2007	President and Group CEO of Nordea Bank AB
1993–2002	Various executive management positions within Nordea Group
1970–1993	Various positions within Skandinaviska Enskilda Banken (EVP from 1989)

Shareholding in Nordea: 23,250*

Sarah Russell
Master of Applied Finance. Board member since 2010. Born 1962.
Nationality Australian.
CEO Aegon Asset Management.

Previous positions:

1994–2008	Various executive management positions within ABN AMRO, including Senior Executive Vice President and CEO of ABN AMRO Asset Management 2006-2008
1981–1994	Various management and other positions in Financial Markets within Toronto Dominion Australia Ltd

Shareholding in Nordea: 0*

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 AB (publ), Kaleva Mutual Insurance Company and Mandatum Life Insurance Company Limited.
Board member of Nokia Corporation.

Previous positions:

2001–2009	Deputy CEO of Sampo plc
1999–2000	President of Sampo Life Insurance Company Ltd
1996–1998	President of Nova Life Insurance Company Ltd
1991–1996	President of Jaakko Pöyry Group
1985–1991	President of JP Finance Oy

Shareholding in Nordea: 100,000*

Employee representatives:

Kari Ahola
Board member since 2006. Born 1960. Shareholding in Nordea: 0*

Toni H. Madsen
Board member since 2013. Born 1959. Shareholding in Nordea: 3,299*

Lars Oddestad
Board member since 2009. Born 1950. Shareholding in Nordea: 0*

Hans Christian Riise
Board member since 2013. Born 1961. Shareholding in Nordea: 0*

* Shareholdings, as of 31 December 2013, also include shares held by family members and closely affiliated legal entities.

Group Executive Management

Group Executive Management, lower row from left to right: Torsten Hagen Jørgensen, Christian Clausen, Casper von Koskull, upper row from left to right: Ari Kaperi, Gunn Wærsted, Lennart Jacobsen, Peter Nyegaard.

Christian Clausen
President and Group CEO since 2007.
Master of Science (Economics). Appointed member of GEM 2001.
Born 1955.
President of the European Banking Federation
Board member of the Swedish Bankers' Association

Previous positions:
2000–2007 Executive Vice President, Head of Asset Management & Life, Member of Group Management; Nordea
1998–2000 Member of Executive Board, Unibank
1996–1998 Managing Director and Chief Executive, Unibank Markets
1990–1996 Managing Director and Chief Executive of Unibørs Securities
1988–1990 Managing Director of Privatbørsen
Shareholding: 154,379 Nordea[1]

Lennart Jacobsen[2]
Executive Vice President, Head of Retail Banking.
Born 1966.
Appointed member 2013.
Shareholding: 0 Nordea[1]

Torsten Hagen Jørgensen
Executive Vice President, Group CFO, Head of Group Corporate Centre.
Born 1965.
Appointed member 2011.
Shareholding: 44,569 Nordea[1]

Ari Kaperi[2]
Executive Vice President, Group CRO, Head of Group Risk Management.
Born 1960.
Appointed member 2008.
Shareholding: 49,323 Nordea[1]

Casper von Koskull
Executive Vice President, Head of Wholesale Banking.
Born 1960.
Appointed member 2010.
Shareholding: 63,995 Nordea[1]

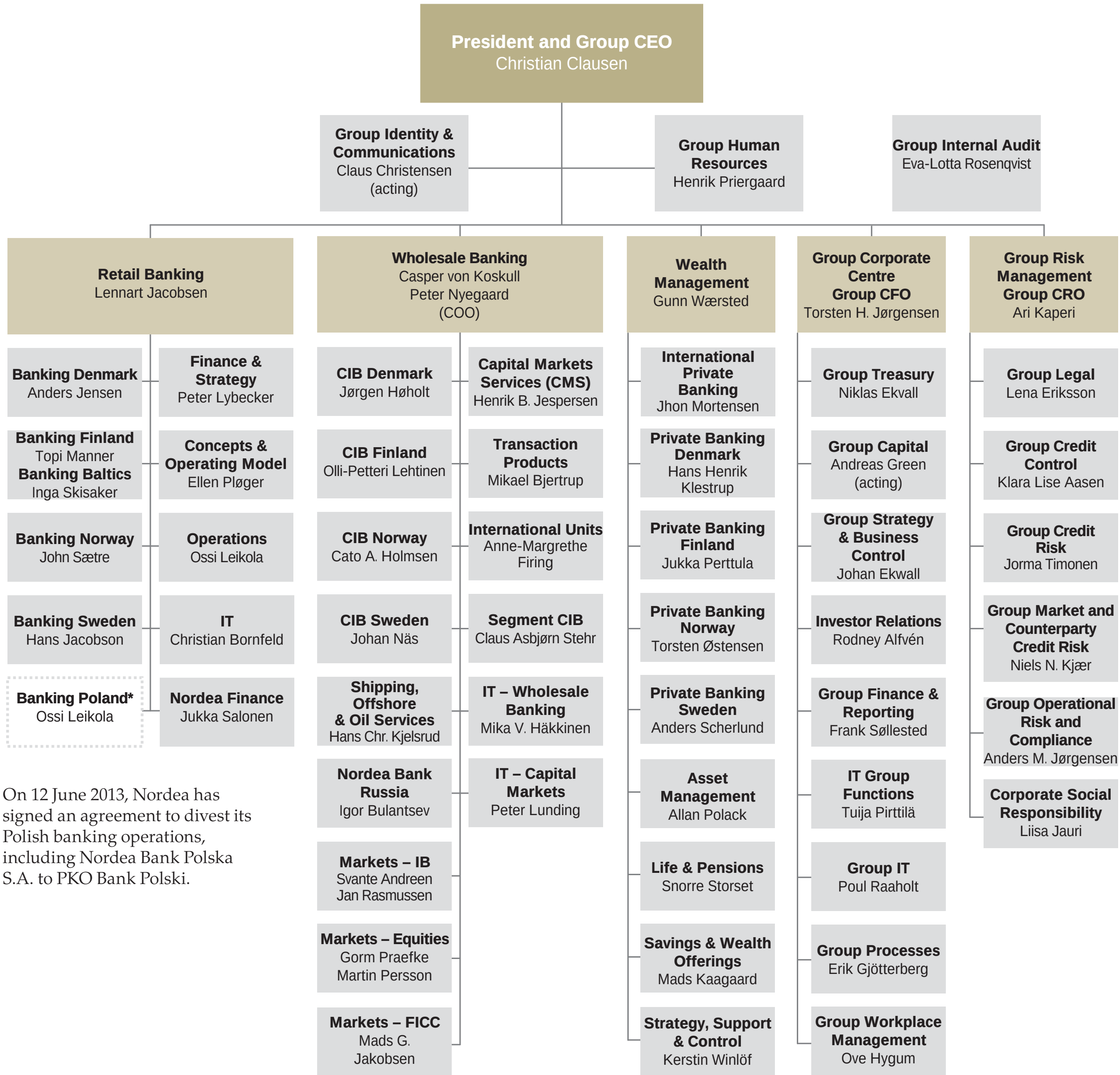
Peter Nyegaard[2]
Executive Vice President, Chief Operating Officer of Wholesale Banking.
Born 1963.
Appointed member 2011.
Shareholding: 40,081 Nordea[1]

Gunn Wærsted[2]
Executive Vice President, Head of Wealth Management.
Born 1955.
Appointed member 2007.
Shareholding: 77,159 Nordea[1]

1) Shareholdings as of 31 December 2013, also include shares held by family members and closely affiliated legal entities.
2) Country Senior Executive.

Group Organisation

As of February 2013



* On 12 June 2013, Nordea has signed an agreement to divest its Polish banking operations, including Nordea Bank Polska S.A. to PKO Bank Polski.

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 (high)	AA
Nordea Bank Danmark A/S	P–1	A1	A–1+	AA–[2]	F1+	AA–	R–1 (high)	AA
Nordea Bank Finland Plc	P–1	Aa3	A–1+	AA–[2]	F1+	AA–	R–1 (high)	AA
Nordea Bank Finland Plc, covered bonds		Aaa[1]						
Nordea Bank Norge ASA	P–1	Aa3	A–1+	AA–[2]	F1+	AA–	R–1 (high)	AA
Nordea Hypotek AB (publ)		Aaa[1]		AAA[1]				
Nordea Kredit Realkreditaktieselskab		Aaa[1]		AAA[1]				
Nordea Eiendomskreditt AS		Aaa[1]						

1) Covered bond rating.
2) Negative outlook.

Annual General Meeting 20 March 2014

Nordea's Annual General Meeting (AGM) 2014 will be held on Thursday 20 March at 13.00 CET at Aula Magna, at Stockholm University, Frescativägen 6, Stockholm.

Notification of participation etc

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 14 March 2014 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 14 March 2014. 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 14 March 2014 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 13 March 2014 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 13 March 2014 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 2014

Annual General Meeting	20 March
Ex-dividend date	21 March
Record date	25 March
Dividend payments	1 April
1st quarter report	29 April
2nd quarter report	17 July
3rd quarter report	22 October

Contacts

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SE-105 71 Stockholm, Sweden Phone: +46 8 614 92 77

Website

All reports and press releases are available on the Internet at: www.nordea.com. Financial reports published by the Nordea Group may be ordered on the website and via Investor Relations.

The annual reports of Nordea Bank Danmark A/S, Nordea Bank Norge ASA and Nordea Bank Finland Plc can be downloaded from www.nordea.com

Nordea's report on Capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Directive, is presented on www.nordea.com.

The Annual Report 2013

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 207. The original annual report is in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

Layout and production Appelberg | Photo Ida Schmidt, Paulina Westerlind, Dan Coleman, Per Myrehed, Tobias Ohls | Print Åtta.45

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