Annual Report 2014
Nordea Bank Finland

Nordea Bank Finland Plc is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 750 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges.

Contents

Nordea Bank Finland Group

Five-year overview of the Directors' Report

Income statement[1]

EURm	2014	2013	2012	2011	2010
Net interest income	1,189	1,183	1,258	1,355	1,182
Net fee and commission income	75	-113	295	309	289
Net result from items at fair value	970	1,114	1,217	937	979
Profit from companies accounted for under the equity method	3	8	18	9	6
Other operating income	41	32	36	34	43
Total operating income	**2,278**	**2,224**	**2,824**	**2,644**	**2,499**
General administrative expenses:					
Staff costs	-559	-553	-574	-592	-553
Other expenses	-433	-466	-447	-457	-479
Depreciation, amortisation and impairment charges of tangible and intangible assets	-92	-40	-50	-43	-41
Total operating expenses	**-1,084**	**-1,059**	**-1,071**	**-1,092**	**-1,073**
Profit before loan losses	**1,194**	**1,165**	**1,753**	**1,552**	**1,426**
Net loan losses	-60	-53	-144	-70	-272
Impairment of securities held as financial non-current assets	-	1	-	-	2
Operating profit	**1,134**	**1,113**	**1,609**	**1,482**	**1,156**
Income tax expense	-232	-285	-428	-381	-302
Net profit for the year	**902**	**828**	**1,181**	**1,101**	**854**

Balance sheet[2]

EURm	2014	2013	2012	2011	2010
Loans to central banks and credit institutions	35,351	35,767	36,827	79,350	67,751
Loans to the public	113,748	113,779	100,765	99,331	73,607
Interest-bearing securities and pledged instruments	45,701	34,246	37,896	33,764	29,241
Derivatives	105,254	70,234	117,213	170,228	97,251
Other assets	46,144	50,735	42,760	11,151	18,236
Total assets	**346,198**	**304,761**	**335,461**	**393,824**	**286,086**
Deposits by credit institutions	87,368	79,426	74,666	76,007	60,549
Deposits and borrowings from the public	76,879	80,909	70,212	68,260	55,459
Debt securities in issue	48,472	47,130	48,999	49,153	39,846
Derivatives	102,876	67,109	115,836	168,436	95,676
Subordinated liabilities	620	429	514	503	477
Other liabilities	20,365	20,244	16,017	19,864	22,855
Equity	9,618	9,514	9,217	11,601	11,224
Total liabilities and equity	**346,198**	**304,761**	**335,461**	**393,824**	**286,086**

[1] The comparative figures for 2012 (but not for 2010-2011) have been restated in relation to the amendment to IAS 19.

[2] The comparative figures for 2012 and 2011 (but not for 2010) have been restated in relation to the amendment to IAS 19 and the presentation of forward starting bonds.

Ratios and key figures

Group

	2014	2013	2012[3]	2011[3]	2010
Return on equity, %	9.4	8.8	11.3	9.7	7.7
Cost/income ratio, %	48	48	38	41	43
Loan loss ratio, basis points	5	5	14	9	41
Common Equity Tier 1 capital ratio, incl. Basel I floor[1, 2, 4], %	14.2	15.0	18.0	12.8	13.6
Tier 1 capital ratio, incl. Basel I floor [1, 2], %	15.1	15.0	18.0	12.8	13.6
Total capital ratio, incl. Basel I floor [1, 2], %	15.2	15.8	18.8	13.4	14.3
Common Equity Tier 1 capital, incl. Basel I floor[1], EURm	8,454	8,430	8,246	10,310	10,242
Tier 1 capital[1, 4, 5], EURm	9,004	8,430	8,246	10,310	10,242
Risk exposure amount, incl. Basel I floor[1], EURm	61,275	56,077	45,733	80,567	75,203
Number of employees (full-time equivalents)[1]	6,653	7,981	8,252	8,828	9,097
Average number of employees	7,802	8,937	9,269	10,014	10,038
Salaries and remuneration, EURm	-420	-426	-434	-463	-433
Return on total assets, %	0.3	0.3	0.3	0.3	0.3
Equity to total assets, %	2.8	3.1	2.7	2.9	3.9

[1] End of the year

[2] Further information in Capital management section

[3] The comparative figures for 2012 and 2011 (but not for 2010) have been restated in relation to the amendment to IAS 19 and the presentation of forward starting bonds.

[4] Including result of the year

[5] The 2013 ratios are reported under the Basel II regulation framework and the 2014 ratios are reported using the Basel III (CRR/CRDIV) framework.

Business definitions and exchange rates

These definitions apply to the descriptions in the Annual Report.

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

Equity to total assets
Total shareholders’ equity including minority interests as a percentage of total assets at year-end.

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

Own funds
Own funds is the sum Tier 1 and Tier 2 capital. Tier 1 capital consists of both common equity Tier 1 and additional Tier 1 capital.

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

Return on equity (ROE)
Net profit for the year excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded.

Return on total assets (ROA)
Operating profit less taxes as a percentage of average total assets. Average total assets are calculated as the mean of total assets at the beginning and end of the year.

Risk-adjusted profit
Total income minus total operating expenses, minus Expected losses and strandard tax (20% 2014). In addition, Risk-adjusted profit excludes major non-recurring items.

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

Tier 1 capital
The proportion of the capital base, which includes consolidated shareholders’ equity excluding proposed dividend, deferred tax assets, intangible assets in the banking operations. Shortfall – the negative difference between expected losses and provisions is deducted with 100% in CET1 in 2014, but 50% in 2013. Subsequent to the approval of the supervisory authorities, Tier 1 capital also includes qualified forms of subordinated loans (Tier 1 capital contributions and hybrid capital loans).

The Common equity Tier 1 capital constitutes the Tier 1 capital excluding hybrid capital loans.

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

Total capital ratio
Capital base as a percentage of risk exposure amount.

Exchange rates applied (end of year rates as at 31 December 2014)

EUR	1.0000	**USD**	1.2141	**DKK**	7.4453	**SGD**	1.6058
GBP	0.7789	**CHF**	1.2024	**LTL**	3.4528		
NOK	9.042	**PLN**	4.2732	**SEK**	9.393		

Rating, Nordea Bank Finland

31 Dec 2014	Short	Long
Moody's	P-1	Aa3[1]
Standard & Poor’s	A-1+	AA-[1]
Fitch	F1+	AA-
DBRS	R-1 (high)	AA

[1] Negative outlook

Nordea Bank Finland

Director's Report

Throughout this report the terms "Nordea Bank Finland", "NBF" and "Bank Group" refer to Nordea Bank Finland Plc and its subsidiaries. Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the parent company in the Nordea Group. The Nordea Group is referred to as "Nordea".

Nordea Bank Finland Plc is domiciled in Helsinki and its business identity code is 1680235-8.

As part of the Nordea Group, NBF operates in the banking business. All the operations of NBF are integrated into the operations of the Nordea Group, whose annual report, with activities and earnings reported by the business areas, encompasses the operations of NBF in their entirety.

Legal structure

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

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

Subsidiaries and foreign branches

NBF has subsidiaries in Finland and abroad. The most significant subsidiary is Nordea Finance Finland Ltd, which is responsible for the Group's finance company operations in Finland. The Nordea Finance Finland Group comprises one Finnish financial institution and several real estate companies, four associated companies as well as three subsidiaries operating in the Baltic market: Nordea Finance Estonia Ltd, Nordea Finance Latvia Ltd and Nordea Finance Lithuania Ltd.

NBF has foreign branches in New York and Singapore. Branches in London and Frankfurt were sold to Nordea Bank AB (publ) on 1 January 2015 and branches in the Baltic countries on 1 April 2014. NBF has no foreign representative offices.

Changes in the group structure

On 1 April 2014 Nordea Bank Finland Plc sold its operations in the Baltic branches and the subsidiaries Promano Est Oü, Promano Lit UAB, SIA Promano Lat, SIA Realm and 4 other Baltic real estate companies to the parent company Nordea Bank AB (publ). The consolidated SPEs for acquiring commercial real estate were also included in the transaction.

The transferred operations will continue as before in Nordea. The impact of the transaction on NBF is not material. However, the income statement impact is presented in a separate Note 49 for comparison purposes. The impact on the balance sheet was approximately EUR -3.1bn.

The transfer of foreign branch operations to Nordea Bank AB (publ) was continued on 1 January 2015 when the London and Frankfurt operations were sold. The impact of the operations on the 2014 income statement is disclosed in Note 49. The sales profit from the transaction was EUR 35m and it was recognised in January 2015. Impact on the balance sheet was EUR -0.7bn.

The Polish Financial Supervision Authority approved the sale of Nordea Bank Polska on 2 March 2014 and the transaction was completed on 1 April 2014. Nordea Bank Polska was owned by Nordea Bank AB (publ. The sale included the wholly-owned subsidiary of Nordea Finance Finland Ltd, Nordea Finance Polska S.A.

Improvements in Corporate Governance during 2014

In order to strengthen corporate governance on legal entity level, The Board of Directors of NBF Plc has established four new Board committees: risk committee, audit committee, remuneration committee and nomination committee. Each committee has tasks set out to it in the Act on Credit Institutions.

The President of NBF Plc has established a Management Group to assist and support him in fulfilling his duties derived from his role as a responsible for managing the day-to-day operations of NBF. The Management Group consists of NBF's President, CFO, CRO, Board Secretary, Head of Banking Finland and Head of CIB Finland.

NBF has a Chief Risk Officer (CRO). The CRO of NBF is subordinated to the President of NBF.

Further information on corporate governance can be found in the Corporate Governance report, which is attached to this annual report.

The Corporate Governance report, including the Report on the key aspects of the systems for internal control and risk management regarding financial reports, has not been reviewed by the auditors.

Business development in 2014

2014 was another year of low growth and low interest rates as these declined further to even zero levels. The global scene was characterised by mixed developments in economic data, geopolitical turbulence and higher volatility in the financial market. In the Nordic economies, the latest macroeconomic developments have been weaker, although the overall picture still appears relatively robust.

Despite the weak macroeconomic trend and the transfer of the Baltic operations to Nordea Bank AB (publ), total operating income increased 2%. Profit before loan losses was 2% and operating profit 2% higher than in the previous year. Loan losses increased slightly and the loan loss ratio was 5 basis points. Profit before tax totalled EUR 1,134m (2013: 1,113), and return on equity was 9.4% (8.8).

Comments on the income statement

Operating income

Total operating income increased to EUR 2,278m (2,224), mainly explained by the higher net fee and commission income and lower net result from items at fair value.

Net interest income increased 1% to EUR 1,189m (1,183). Lending volumes were largely unchanged whereas deposit volumes decreased 5%. Average lending margins were higher than in the previous year while deposit margins overall were down from one year ago. Total lending to the public, excluding reverse repurchase agreements and the transfer of the Baltic operations, increased 3%. Deposit volumes, excluding repurchase agreements and the transfer of the Baltic operations, increased 5%.

Net fee and commission income increased to EUR 75m (-113). Fee and commission income was 5% higher and totalled EUR 794m (759). Increases were mainly seen in savings related commissions as well as in lending commissions. Fee and commission expenses decreased approximately EUR 150m and totalled EUR 719m (872).The decrease was mainly due to the lower guarantee fee paid to Nordea Bank AB (publ).

Net result from items at fair value decreased to EUR 970m (1,114) due to lower demand for fixed income products and challenging market conditions.

Profit from companies accounted for under the equity method decreased to EUR 3m (8).

Other operating income increased to EUR 41m (32). EUR 8m related to the transfer of the Baltic operations to Nordea Bank AB (publ).

Operating expenses

Total operating expenses were 2% higher than in the previous year and totalled EUR 1,084m (1,059).

Staff costs increased 1% to EUR 559m (553). The sale the Baltic operations decreased staff costs while the accelerated cost efficiency programme increased expenses. The number of employees, measured by full-time equivalents, decreased by around 1,300 during the year and amounted to 6,653 at the end of the year.

Other expenses were down 7% and amounted to EUR 433m (466). IT expenses were higher whereas other operating expenses decreased as a result of the sale of the Baltic operations and the cost efficiency programme.

The impairment of capitalised IT development increased depreciations and impairment charges to EUR 92m (40). The main driver behind the impairment decision was to build new core banking and payment platforms, but to some extent also reassessments of the useful lives of other systems influenced the decision.

Loan losses

Net loan losses amounted to EUR 60m (53) and the loan loss ratio was stable at 5 basis points. Provisions for collectively assessed loans totalled EUR 19m and provisions for individually assessed loans EUR 41m.

Individual loan losses amounted to 4 basis points of loans to the public in 2014 compared to 6 basis points in 2013. Collective provisions net amounted to 2 basis points in 2014 compared to -1 basis points in 2013.

Nordea Bank AB (publ) has guaranteed part of NBF's corporate exposures and based on the agreement NBF's loan losses decreased EUR 66m in 2014 and EUR 83m in 2013.

Taxes
Income tax expenses were EUR 232m (285). The effective tax rate amounted to 20% (26), which is the same as the legal tax rate.

Net profit
Net profit for the year amounted to EUR 902m (828). Return on equity was 9.4% (8.8).

Comments on the balance sheet

Assets
Consolidated *total assets* amounted to EUR 346bn at year-end, showing an increase of EUR 41bn compared to the previous year-end.

Loans to central banks and credit institutions decreased to EUR 35bn (36).

Loans to the public were stable at EUR 114bn. Volumes of reverse repurchase agreements decreased EUR 5bn, and the impact of the sale of the Baltic operations was EUR -7bn. Traditional domestic mortgage lending to household customers increased 2%.

Corporate lending increased 2% compared to the previous year totalling EUR 76bn (75). Excluding repurchase agreements, the decrease was EUR 3bn. Consumer lending to households increased slightly to EUR 8bn.

Interest-bearing securities and financial instruments pledged as collateral increased to EUR 46bn (44).

Positive market values of *derivatives* increased EUR 35bn to EUR 105bn (70) due to a steep decrease in the long-term interest rates during 2014.

Other assets increased approximately EUR 5bn, mainly reflecting the higher balance sheet values of CSA collaterals.

Liabilities
Total liabilities amounted to EUR 337bn (295), showing an increase of EUR 42bn.

Deposits by credit institutions and central banks increased EUR 8bn to EUR 87bn (79).

Deposits and borrowings from the public decreased EUR 4bn to EUR 77bn (81). Excluding the impact of repurchase agreements, the decrease in deposits was 3%.

Debt securities in issue increased to EUR 48bn (47). NBF issued covered bonds in the amount of EUR 16.2bn. Other issued securities mainly comprise short-term debt instruments with a maturity under one year.

Negative market values of *derivatives* increased EUR 36bn to EUR 103bn (67).

The change in subordinated liabilities is explained by the buy-back of a subordinated loan with a nominal value of GBP 300m in July 2014. The buy-back had a permission from the Finnish FSA. Additionally, NBF issued an Additional Tier 1 loan of EUR 550m to its parent company Nordea Bank AB (publ) on 30 September 2014. The full terms and conditions of the loan are disclosed at nordea.com/investor relations

Other liabilities were stable compared to the previous year-end.

Equity
Shareholders' equity amounted to EUR 9,514m at the beginning of 2014. EUR 750m was paid as dividend to Nordea Bank AB (publ). Net profit for the year was EUR 902m. At the end of 2014 total equity amounted to EUR 9,618m.

Appropriation of distributable funds

The parent company's distributable funds on 31 December 2014 were EUR 6,114m of which the profit for the year is EUR 821m. It is proposed that:
- a dividend of EUR 450m be paid
- whereafter the distributable funds will total EUR 5,664m.

Off-balance sheet commitments

The bank's business operations include a considerable proportion of off-balance sheet items, such as guarantees, documentary credits and credit commitments. Credit commitments and unutilised credit lines amounted to EUR 16.0bn (15.9), while guarantees and granted but not utilised documentary credits as well as other off-balance sheet commitments, excluding the nominal values of derivative contracts, totalled EUR 15.7bn (16.6).

The nominal values of derivatives increased to EUR 6,973bn (6,757).

Capital adequacy

At year-end, the Group's total capital ratio was 15.2% (15.8) and the Tier 1 ratio 15.1% (15.0). Risk exposure amount totalled EUR 61bn (56).

Risk, Liquidity and Capital management

Management of risk, liquidity and capital is a key success factor in the financial services industry. The maintaining of risk awareness within the organisation is ingrained in the business strategies. Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and the capital structure.

Management principles and control
Group Board and Board Credit Committee
The Group Board 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 Group Board, which also decides on policies for credit risk, counterparty credit risk, market risk, liquidity risk and business risk, Life insurance risk, operational risk management as well as the Internal Capital Adequacy Assessment Process (ICAAP). All policies are reviewed at least annually.

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

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

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

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

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

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

Responsibility of Group Risk Management and Group Corporate Centre
Within the Group, two units, Group Risk Management and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management. Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base, the capital adequacy framework and for the management of liquidity risk.

Each business area and group function is primarily responsible for managing the risks in its operations within the applicable 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 of Nordea is ultimately responsible for the overall risk appetite of the Group and for setting the principles for how risk appetite is managed. The Board Risk Committee assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to the risk appetite and by making recommendations regarding changes to the Group's risk appetite.

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

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

The risk appetite framework is further presented in the Capital and Risk Management Report (Pillar III report).

Monitoring and reporting
The control environment is based on the principles for segregation of duties and independence. Monitoring and reporting of risk are 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 the development of REA (Risk Exposure Amount) s regularly made to the GEM and the Board of Directors. Group Internal Audit (GIA) makes an independent evaluation of the processes regarding the risk and capital management in accordance with the annual audit plan.

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

Risk management

Credit Risk management

Group Risk Management is responsible for the credit process framework and 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 decision-making authorities on different levels in the organisation. The risk categorization of the customer and the exposure decide the level at which the decision will be made. Responsibility for a credit exposure lies with the relevant customer responsible unit. Customers are assigned a rating or score in accordance with the Nordea framework for quantification of credit risk.

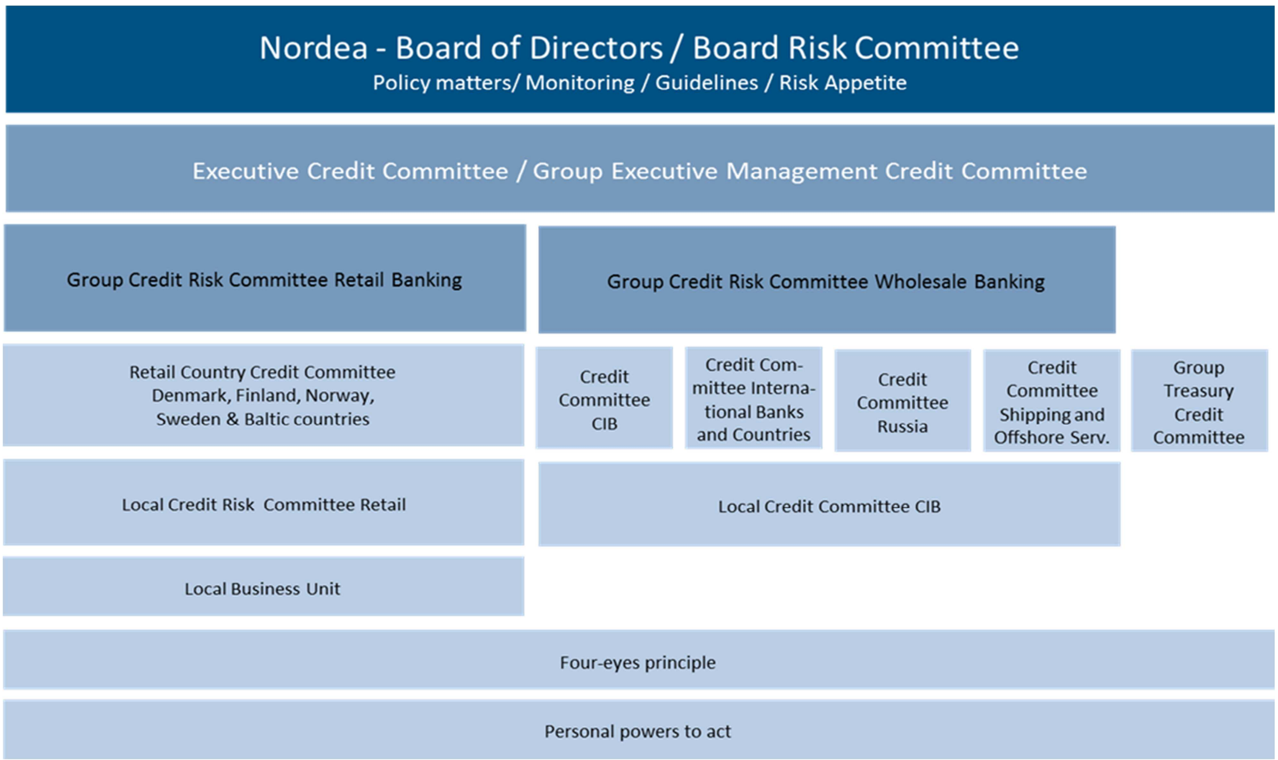
Credit risk definition and identification

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

Individual and collective assessment of impairment

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

Credit decision-making structure for main operations



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 provision are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing. Exposures that have been past due more than 90 days are by definition regarded as non-performing, and reported as impaired or not impaired depending on the deemed loss potential.

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

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 45 to the financial statements.

Credit portfolio

Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, i.e. loans to central banks and credit institutions, loans 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.

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

	Group		Parent company	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loans to central banks and credit institutions	**35,351**	**35,767**	**41,091**	**41,220**
Loans to the public	**113,748**	**113,779**	**106,639**	**107,268**
- of which corporate	76,238	74,895	72,031	71,064
- of which household	36,296	38,156	33,394	35,476
- of which public sector	1,214	728	1,214	728
Total loans	**149,099**	**149,546**	**147,731**	**148,489**
Off-balance credit exposure	30,907	31,698	28,379	29,469
Counterparty risk exposure	35,627	20,439	35,627	20,439
Interest-bearing securities[1]	45,701	43,985	45,701	43,985
Total credit risk exposure in the banking operations	**261,334**	**245,668**	**257,438**	**242,382**

[1] Also includes interest-bearing securities pledged as collateral in repurchase agreements

NBF's total lending was largely unchanged at EUR 114bn during 2014. It is attributable to an increase of 2% in the corporate portfolio and a decrease of 5% in the household portfolio. Part of the corporate portfolio is guaranteed by NBF's parent company Nordea Bank AB (publ). Including off-balance sheet exposures, the total credit risk exposure at year-end was EUR 261bn (246). Out of lending to the public, corporate customers accounted for 67% (66) and household customers 32% (34). Loans to credit institutions and central banks, mainly in the form of inter-bank deposits, decreased to EUR 35bn (36) at the end of 2014.

Loans to corporate customers
Loans to corporate customers at the end of 2014 amounted to EUR 76bn (75), up 2%. Real estate remains the largest sector in NBF's lending portfolio at EUR 8.1bn (9.6). The real estate portfolio predominantly consists of relatively large and financially strong companies.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 81% (80) of the corporate volume represents 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 together with the adequacy of covenants and other risk mitigations.

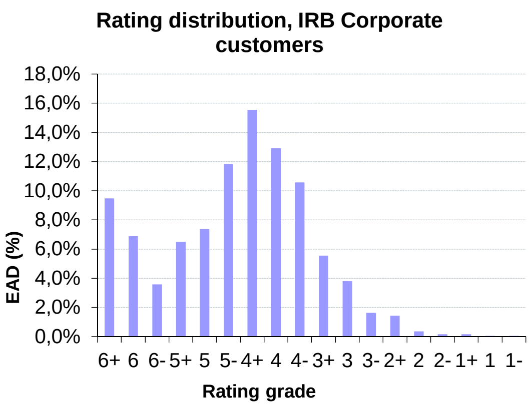
Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong.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

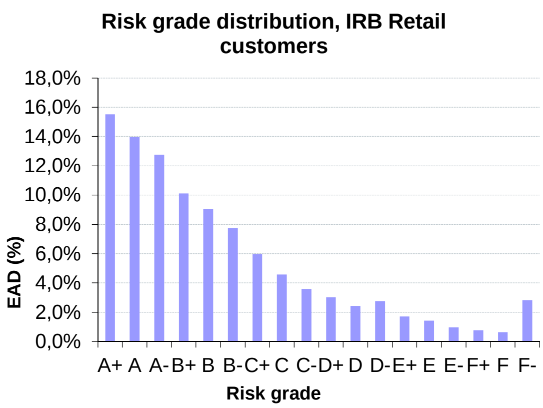
Covenants in credit agreements do not substitute collaterals, but are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

Loans to household customers
In 2014 lending to household customers decreased 5% to EUR 36bn (38). Mortgage loans decreased 8% to EUR 28bn while consumer loans increased to EUR 8bn. The proportion of mortgage loans of total household loans decreased to 78% (81).

Geographical distribution
Lending to the public distributed by borrower domicile shows that the Nordic market accounts for 72% (67). Other EU countries represent the main part of the lending outside the Nordic and Baltic countries. Lending to customers in the Baltic countries decreased to EUR 0.4bn (8.4) at the end of 2014 as the Baltic operations were sold to Nordea Bank AB (publ) on 1 April 2014.

Rating and scoring distribution
One way of assessing credit quality is through an analysis of the distribution across rating grades for rated corporate customers and institutions as well as across risk grades for scored household and small business customers, i.e. retail exposures. About 84% (84) of the corporate exposure is rated 4- or higher and the portion of institutional exposure rated 5- or higher is 92% (92). About 89% (89) of the retail exposures are scored C- or higher.





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

Group

31 Dec 2014, EURm	Finland	Baltic	Total 2014	Total 2013
Energy (oil, gas etc.)	677	0	677	698
Metals and mining materials	215	12	227	313
Paper and forest materials	737	22	759	840
Other materials (building materials etc.)	1,673	50	1,723	1,991
Industrial capital goods	820	4	824	805
Industrial commercial services etc.	1,452	154	1,606	1,627
Construction and engineering	781	59	839	947
Shipping and offshore	4,139	0	4,139	4,073
Transportation	872	281	1,153	1,454
Consumer durables (cars, appliances etc.)	470	16	486	855
Media and leisure	517	16	533	631
Retail trade	2,176	117	2,293	2,710
Consumer staples (food, agriculture, etc.)	1,236	169	1,405	1,872
Health care and pharmaceuticals	300	14	315	355
Financial institutions	1,729	8	1,737	1,103
Real estate	8,086	18	8,103	9,560
IT software, hardware and services	323	10	333	357
Telecommunication equipment	25	1	27	29
Telecommunication operators	435	2	438	411
Utilities (distribution and productions)	1,748	8	1,756	1,806
Other, public and organisations	46,625	240	46,865	42,459
Total corporate loans	**75,038**	**1,200**	**76,238**	**74,895**
Household mortgages	28,386	0	28,386	30,723
Household consumer	7,726	184	7,910	7,433
Public sector	1,214	0	1,214	728
Total loans to the public	**112,364**	**1,384**	**113,748**	**113,779**
Loans to credit institutions	35,351	0	35,351	35,767
Total loans	**147,715**	**1,384**	**149,099**	**149,546**

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

Parent company

31 Dec 2014, EURm	Finland	Baltic	Total 2014	Total 2013
Energy (oil, gas etc.)	676		676	693
Metals and mining materials	176		176	256
Paper and forest materials	598		598	709
Other materials (building materials etc.)	1,320		1,320	1,501
Industrial capital goods	661		661	673
Industrial commercial services etc.	1,089		1,089	1,157
Construction and engineering	495		495	666
Shipping and offshore	4,133		4,133	4,064
Transportation	376		376	720
Consumer durables (cars, appliances etc.)	421		421	775
Media and leisure	431		431	527
Retail trade	1,840		1,840	2,274
Consumer staples (food, agriculture, etc.)	993		993	1,487
Health care and pharmaceuticals	221		221	268
Financial institutions	1,715		1,715	1,078
Real estate	8,064		8,064	9,520
IT software, hardware and services	229		229	244
Telecommunication equipment	23		23	26
Telecommunication operators	434		434	406
Utilities (distribution and productions)	1,701		1,701	1,758
Other, public and organisations	46,436		46,436	42,263
Total corporate loans	**72,031**	**-**	**72,031**	**71,064**
Household mortgages	28,386		28,386	30,723
Household consumer	5,008		5,008	4,753
Public sector	1,214		1,214	728
Total loans to the public	**106,639**	**-**	**106,639**	**107,268**
Loans to credit institutions	41,091	-	41,091	41,220
Total loans	**147,731**	**-**	**147,731**	**148,489**

Impaired loans

Impaired loans gross decreased 26% to EUR 1,480m from EUR 2,008m, corresponding to 99bp (133) of total loans. 56% (52) of impaired loans gross are performing and 44% (48) are non-performing. Impaired loans net, after allowances for individually assessed impaired loans, amounted to EUR 964m (1,294), corresponding to 64bp (86). Allowances for individually assessed loans decreased to EUR 516m from EUR 714m. Allowances for collectively assessed loans decreased to EUR 119m from EUR 125m. The provisioning ratio was 43% (42). The main increases in impaired loans were in the corporate sectors Industrial commercial services and Other material (building materials).

Past due loans (6 days or more) to corporate customers that are not considered impaired decreased to EUR 223m (251). The volume of past due loans to household customers decreased to EUR 280m (438) in 2014.

Net loan losses

Loan losses increased to EUR 60m (53) in 2014. This corresponded to a loan loss ratio of 5bp (5). EUR 34m (33) relates to corporate customers and EUR 26m (19) relates to household customers. The main losses were in the corporate sector Real Estate.

Impaired loans and ratios

	Group		Parent company	
EURm	2014	2013	2014	2013
Impaired loans gross	1,480	2,008	1,188	1,716
- of which performing	823	1,034	653	839
- of which non-performing	657	974	535	877
Impaired loans ratio, basis points	99	133	80	115
Total allowance ratio, basis points	42	56	38	50
Provisioning ratio, %	43	42	48	44

Net loan losses and loan loss ratios

	Group		Parent company	
Basis points of loans	2014	2013	2013	2013
Net loan losses, EURm	60	53	54	43
Loan loss ratio[1]	5	5	5	5
- of which individual	4	6	3	6
- of which collective	2	-1	2	-1
Loan loss ratio, Retail Banking	7	6	7	6
Loan loss ratio, Corporate & Institutional Banking	2	1	3	1
Loan loss ratio, Shipping, Offshore & Oil Service	-2	4	-2	4
Loan loss ratio, Baltic countries	3	1	3	1

[1] Net loan losses divided by the opening balance of loans to the public

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

Group

31 Dec 2014, EURm	Finland	Baltic	Allowances	Provisioning ratio
Energy (oil, gas etc)	2		2	95%
Metals and mining materials	33		23	69%
Paper and forest materials	100		21	21%
Other materials (building materials etc.)	193		96	50%
Industrial capital goods	90		46	52%
Industrial commercial services etc.	143		70	49%
Construction and engineering	51		26	51%
Shipping and offshore	20		26	130%
Transportation	24		5	21%
Consumer durables (cars, appliances etc.)	37		15	41%
Media and leisure	45		21	47%
Retail trade	140		52	37%
Consumer staples (food, agriculture etc.)	45		32	71%
Health care and pharmaceuticals	10		3	32%
Financial institutions	49		30	60%
Real estate	37		14	38%
IT software, hardware and services	56		25	44%
Telecommunication equipment	3		1	50%
Telecommunication operators	2		1	46%
Utilities (distribution and productions)	1		0	22%
Other, public and organisations	6	13	34	
Total corporate impaired loans	**1,084**	**13**	**542**	**49%**
Household mortgage loans	168		7	4%
Household consumer loans	214		86	40%
Public sector	0		0	
Credit institutions	0		0	
Total impaired loans gross	**1,467**	**13**	**1,480**	
Total allowances	**629**	**6**	**635**	
Provisioning ratio	**43%**	**48%**	**43%**	

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

Parent company

31 Dec 2014, EURm	Finland	Baltic	Allowances	Provisioning ratio
Energy (oil, gas etc.)	2		2	90%
Metals and mining materials	21		17	83%
Paper and forest materials	93		21	23%
Other materials (building materials etc.)	147		92	63%
Industrial capital goods	70		46	66%
Industrial commercial services etc.	128		70	54%
Construction and engineering	43		25	57%
Shipping and offshore	20		26	130%
Transportation	10		3	30%
Consumer durables (cars, appliances etc.)	33		15	45%
Media and leisure	37		21	57%
Retail trade	122		51	42%
Consumer staples (food, agriculture etc.)	42		31	75%
Health care and pharmaceuticals	6		2	38%
Financial institutions	49		29	60%
Real estate	36		14	39%
IT software, hardware and services	53		25	47%
Telecommunication equipment	3		1	51%
Telecommunication operators	1		1	58%
Utilities (distribution and productions)	0		0	24%
Other, public and organisations	6		21	
Total corporate impaired loans	**923**	**-**	**514**	**56%**
Household mortgage loans	168		7	4%
Household consumer loans	96		44	46%
Public sector	-		-	
Credit institutions	-		-	
Total impaired loans gross	**1,188**	**-**	**1,188**	
Total allowances	**565**		**565**	
Provisioning ratio	**48%**		**48%**	

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 repurchase agreements and other securities financing transactions. The exposure at the end of 2014 was EUR 35.6bn (20.4), of which the current exposure net (after close-out and collateral reduction) represents EUR 16.2bn. 53% of the exposure and 34% of the current exposure net was towards financial institutions.

For information about financial instruments subject to master netting agreement, see Note 41.

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, such as changes to interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

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

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

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

Consolidated market risk figures, VaR[1]

Group

EURm	Measure	31 Dec 2014	2014 high	2014 low	2014 average	31 Dec 2013
Total Risk	VaR	27.9	84.9	16.9	37.8	90.5
- Interest Rate Risk	VaR	26.1	87.4	17.6	40.1	95.0
- Equity Risk	VaR	5.9	10.4	1.3	5.3	3.2
- Credit Spread Risk	VaR	7.0	28.2	3.7	10.6	14.5
- Foreign Exchange Risk	VaR	3.5	20.8	2.8	11.3	4.2
Diversification effect	VaR	35 %	59 %	17 %	45 %	23 %

[1] For a description of Nordea's VaR model, see "Measurement of market risk" page 19

may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. Nordea's choice to use the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons of using longer or shorter time series in the calculation of VaR.

Market risk analysis

The consolidated market risk for NBF presented in the table on the previous page includes both the trading book and the banking book. The total VaR was EUR 28m at the end of 2014 (91). The decrease in total VaR over the year is mainly related to the decrease in interest rate VaR, which is a reflection of changed positions and an decreased interest rate level. Interest rate VaR was EUR 26m (95), with the largest part of the interest rate sensitivity stemming from interest rate positions denominated in Euro, Swedish kronor and Danish kroner. The commodity risk was at an insignificant level.

The fair value of investments in private equity funds reported as fair value option was EUR 2m (4) at the end of 2014.

Foreign exchange rate positions in FX VaR[1]

Group

EURm	2014	2013
DKK	625	377
SEK	88	-72
USD	58	-1
NOK	-47	12
CHF	-33	-61
BRL	-22	-2
LTL	21	26
Other[2]	9	97

[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 21m

Structural Interest Income Risk

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

SIIR reflects the mismatches in the balance sheet items and the off-balance sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly.

Nordea Group's SIIR management is based on policy statements resulting in different SIIR measures, and organisational procedures.

Policy statements focus on optimising the financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

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

SIIR measurement methods

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

SIIR analysis

At the end of 2014, SIIR for increasing rates was EUR +9m (+104) and SIIR for decreasing market rates was EUR +56m (–59).

Operational risk

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems or from external events. Operational risk includes legal risk and compliance risk, which is the risk of business not being conducted according to obligations pursuant to laws, statutes and other regulations applicable to the operations subject to authorisation, and internal rules thereby jeopardizing customers' best interest, other stakeholders trust and increasing the risk of regulatory sanctions, financial loss or damage to the reputation and confidence. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

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

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

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

Liquidity risk management

Management principles and control

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

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

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management and strategy are 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 the Group's 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 a variety of funding programmes. Funding programmes are both short-term (US Commercial Papers, European Commercial Papers, Commercial Papers, Certificates of Deposits) and long-term (Covered Bonds, European Medium-Term Notes, Medium Term Notes) and cover a range of currencies.

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 also includes the survival horizon metric, which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods

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

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

During 2011, the survival horizon metric was introduced. It is conceptually similar to the Basel and EU Liquidity Coverage Ratio. The metric is composed of a 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 a limit for minimum survival without access to market funding during 30 days.

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

Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2014. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +2.0bn (+3.8).

NBF’s liquidity buffer range was EUR 14.6–18.9bn (14.5–17.3) throughout 2014 with an average buffer size of EUR 17.2bn (16.6). NBF’s liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury.

Survival horizon was in the range EUR +2.1 – 17.6bn
(+4.0 - 17.3) throughout 2014 with an average of EUR 10.5bn (10.4). The aim of always maintaining a positive NBSF was comfortably achieved throughout 2014. The yearly average for the NBSF was EUR 27.5bn (20.1).

Capital management
Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risks. The goal is to enhance returns to shareholders while maintaining a prudent capital structure.

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

The capital requirement and the capital base described in this section follow the CRD rules and not accounting standards, see Note 38 for details.

Minimum capital requirements
Risk exposure amount (REA), previously referred to as risk-weighted assets or RWA, is calculated in accordance with the requirements in the CRD. Nordea had 77% of the credit risk exposure covered by internal rating based (IRB) approaches by the end of 2014. During the first quarter of 2014 Nordea implemented the advanced IRB approach for the corporate exposures in the Nordic region. In the fourth quarter, Nordea was approved to use the retail IRB approach for the majority of the retail exposures in Finland which were not previously reported in IRB.

NBF 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 the 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. This 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 has been aligned to CET1 capitalisation requirements according to CRD IV. Additional capital items were introduced in the EC during 2014 to reduce the gap between legal equity and allocated capital.

Economic Capital for Nordea Bank Finland was at the end of 2014 EUR 6.7bn (7.0).

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. The risk-adjusted profit and EP are measures to support performance management and 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 an individual credit exposure over a business cycle as well as various portfolios. During 2014 there were no changes to the EL framework apart from the regular update of parameters based on the latest validations.

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

Own funds

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

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

Further information

Note 38 Capital adequacy and the Capital and Risk Management report

Further information on capital adequacy is presented in Note 38 Capital adequacy. Additional and more detailed information on risk and capital management is presented in the Pillar III disclosure in line with the requirements of the CRD in the Basel III framework. The Pillar III disclosure is publicly available at www.nordea.com.

Capital adequacy ratios

	Group		Parent company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Excl. Basel I floor				
CET1 capital ratio, %	16.7	16.0	17.2	16.6
Tier 1 capital ratio, %	17.8	16.0	18.4	16.6
Total capital ratio, %	18.0	16.8	18.6	17.6
Capital adequacy quotient (own funds / capital requirement)	2.2	2.1	2.3	2.2
Incl. Basel I floor				
CET1 capital ratio, %	14.2	15.0	14.8	15.7
Tier 1 capital ratio, %	15.1	15.0	15.8	15.7
Total capital ratio, %	15.2	15.8	15.9	16.6
Capital adequacy quotient (own funds / capital requirement)	1.9	2.0	1.9	2.1

Summary of items included in own funds[6]

Group

EURm	31 Dec[5] 2014	31 Dec[5] 2013
Calculation of own funds		
Equity in the consolidated situation	9,618	9,514
Proposed/actual dividend	-450	-750
Common Equity Tier 1 capital before regulatory adjustments	9,168	8,764
Deferred tax assets		-5
Intangible assets	-47	-100
IRB provisions shortfall (-)[1]	-237	-118
Deduction for investments in credit institutions (50%)[2]		-2
Pension assets in excess of related liabilities[3]	-16	-56
Other items, net	-414	-53
Total regulatory adjustments to Common Equity Tier 1 capital	-714	-334
Common Equity Tier 1 capital (net after deduction)	**8,454**	**8,430**
Additional Tier 1 capital before regulatory adjustments	550	
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital	550	
Tier 1 capital (net after deduction)	**9,004**	**8,430**
Tier 2 capital before regulatory adjustments	69	537
IRB provisions excess (+)/shortfall (-)		-118
Deduction for investments in credit institutions (50%)		-2
Deductions for investments in insurance companies		
Pension assets in excess of related liabilities		
Other items, net		17
Total regulatory adjustments to Tier 2 capital		-102
Tier 2 capital	69	436
Own funds (net after deduction)[4]	**9,073**	**8,866**

[1] Shortfall is now deducted 100% CET1, previously 50% T1, 50% T2
[2] CRD III deducted 50% T1, 50% T2, CRD IV risk weighted with 250%
[3] Based on approval from Supervisory Authority
[4] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 9,309m by 31 Dec 2014
[5] Including profit
[6] Terminology in table may differ from table Transitional Own Funds

New regulations
The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force from 1 January 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV was implemented through national law within all EU member states during 2014, through national processes. In Finland the law implementing CRD IV entered into force on 15 August 2014.

Starting in November 2014 the European Central Bank (ECB) is responsible for the supervision of NBF within the framework of the Single Supervisory Mechanism (SSM). The SSM will allow bank resolution to be managed effectively through a Single Resolution Board and a Single Resolution Fund, financed by the banking sector.

Parts of the CRD IV/CRR are still being phased-in. In Finland the capital conservation buffer will be set to 2.5% CET1 from 1 January 2015. The countercyclical capital buffer is also applicable from 1 January 2015, however there has been no statement from the Finnish authorities on the setting of the countercyclical buffer yet. In addition to this there will be a buffer requirement for systemically important institutions (O-SII) of 2% CET1 that will be applicable from 1 January 2016. It has not yet been communicated by the Finnish FSA which institutions are to be seen as O-SII, but it is assumed that Nordea Bank Finland will be considered as one. Investigations related to implementation of systemic risk buffer in Finland is on-going.

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

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

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

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

Bank structural reform
In February 2012, the EU Commission established a high-level expert group (HLEG) with the task to assess whether additional reforms on the structure of individual banks should be considered. The HLEG answer to the task was presented in a report in October 2012 and suggested mandatory separation of proprietary trading and other high-risk trading activities from the normal banking activities. The main purpose would be to separate certain particularly risky parts of financial activities from deposit taking activities within a banking group. The underlying objective is to make deposit taking banks safer and less connected to trading activities. Risky financial activities are defined as proprietary trading and all securities or derivatives incurred in the process of market-making as well as exposures towards hedge funds, private equity investments and structured investment vehicles. A proposal from the European Commission was released in January 2014. The Commission proposal is currently being discussed both in the European Parliament and in the Council. Time for finalisation of the proposal and implementation is still unclear.

Accounting
Nordea's accounting policies, which follow IFRS, are under change. Nordea's assessment is that the most important change is related to Financial Instruments (IFRS 9), although other changes might also have an impact on Nordea. IFRS 9 will become mandatory from 2018 if endorsed in the EU.

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

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

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

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

Human resources

Great people create great customer experience

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

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

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

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

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

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

Profit-sharing scheme
Profit sharing aims to stimulate value creation for the customers and shareholders and is offered to all employees. The performance criteria reflect Nordea's long-term targets. For 2014, each employee could receive a maximum of EUR 3,200, of which EUR 2,600 is based on a pre-determined level of risk adjusted return on capital at risk (RAROCAR) and EUR 600 is based on the level of customer satisfaction.

Corporate Social Responsibility, CSR - performance counts

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

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

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

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

Understanding our place in society

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

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

For more information about Nordea's CSR work, please see Nordea's CSR Report 2014 available on www.nordea.com/csr.

Legal proceedings

Within the framework of the normal business operations, NBF faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of these disputes is considered likely to have any significant adverse effect on the Group or its financial position.

Nordea shares

Nordea Bank Finland Plc does not possess its own shares. The information regarding bought and sold shares in the parent company Nordea Bank AB (publ) is presented in Note 48.

Subsequent events

As mentioned in the chapter “Changes in the group structure” NBF continued the transfer of foreign branch operations on 1 January 2015 when London and Franfurt operations were sold to Nordea Bank AB (publ). Further information is presented in Note 49. No other events have occurred after the balance sheet date that might affect the assessment of the annual financial statements.

Outlook 2015

For 2015 we are prepared for another year with low growth and interest rates, and continued changed customer behaviour. Thus, we will deliver on our cost and capital efficiency plans to secure our strong financial foundation. We will continue to develop our services to meet the changing needs from our customers and invest in our IT platform to secure that we also long term provide even more personalised and convenient solutions for our customers.

Nordea Bank Finland Group and Nordea Bank Finland Plc

Income statement

EURm	Note	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Operating income					
Interest income	3	1,806	1,849	1,551	1,613
Interest expense	3	-617	-666	-615	-665
Net interest income	3	**1,189**	**1,183**	**936**	**948**
Fee and commission income	4	794	759	757	715
Fee and commission expense	4	-719	-872	-712	-866
Net fee and commission income	4	**75**	**-113**	**45**	**-151**
Net result from items at fair value	5	970	1,114	975	1,110
Profit from companies accounted for under the equity method	20	3	8	-	-
Dividends	6	-	-	117	128
Other operating income	7	41	32	29	26
Total operating income		**2,278**	**2,224**	**2,102**	**2,061**
Operating expenses					
General administrative expenses:					
Staff costs	8	-559	-553	-525	-516
Other expenses	9	-433	-466	-410	-447
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 21	-92	-40	-88	-33
Total operating expenses		**-1,084**	**-1,059**	**-1,023**	**-996**
Profit before loan losses		**1,194**	**1,165**	**1,079**	**1,065**
Net loan losses	11	-60	-53	-54	-43
Impairment of securities held as financial non-current assets		-	1	-16	1
Operating profit		**1,134**	**1,113**	**1,009**	**1,023**
Income tax expense	12	-232	-285	-188	-243
Net profit for the year		**902**	**828**	**821**	**780**
Attributable to:					
Shareholders of Nordea Bank Finland Plc		902	828	821	780
Non-controlling interests		-	-	-	-
Total		**902**	**828**	**821**	**780**
Net profit for the period from transferred Baltic operations	49	**-29**	**26**	**-36**	**28**
Net profit for the period from international operations to be transferred	49	**86**	**80**	**86**	**80**

Statement of comprehensive income

EURm	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Net profit for the year	**902**	**828**	**821**	**780**
Items that may be reclassified subsequently to the income statement				
Currency translation differences during the year	0	-3	-	-
Available-for-sale investments[1]:				
- Valuation gains/losses during the year	33	3	33	3
- Tax on valuation gains/losses during the year	-7	1	-6	1
Cash flow hedges:				
- Valuation gains/losses during the year	29	36	29	36
- Tax on valuation gains/losses during the year	-6	-9	-6	-9
- Transferred to the income statement during the year	-21	-	-21	-
- Tax on transfers to the income statement during the year	4	-	4	-
Items that may be reclassified subsequently to the income statement				
Defined benefit plans:				
- Remeasurement of defined benefit plans during the year	-104	73	-101	68
- Tax on remeasurement of defined benefit plans during the year	21	-17	20	-16
Other comprehensive income, net of tax	**-51**	**84**	**-48**	**83**
Total comprehensive income	**851**	**912**	**773**	**863**
Attributable to:				
Shareholders of Nordea Bank Finland Plc	851	912	773	863
Non-controlling interests	-	-	-	-
Total	**851**	**912**	**773**	**863**

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

Balance sheet

EURm	Note	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Assets					
Cash and balances with central banks		28,846	30,904	28,846	30,904
Loans to central banks	13	300	657	300	657
Loans to credit institutions	13	35,051	35,110	40,791	40,563
Loans to the public	13	113,748	113,779	106,639	107,268
Interest-bearing securities	14	34,643	34,246	34,643	34,246
Financial instruments pledged as collateral	15	11,058	9,739	11,058	9,739
Shares	16	1,918	680	1,917	679
Derivatives	17	105,254	70,234	105,254	70,234
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	76	58	76	58
Investments in group undertakings	19	-	-	308	376
Investments in associated undertakings	20	39	59	28	34
Intangible assets	21	47	100	35	98
Properties and equipment		84	94	71	74
Investment properties	23	2	113	2	8
Deferred tax assets	12	43	5	41	2
Current tax assets	12	0	1	-	-
Retirement benefit assets	32	25	133	25	132
Other assets	24	14,624	8,277	14,586	8,233
Prepaid expenses and accrued income	25	440	572	259	386
Total assets		**346,198**	**304,761**	**344,879**	**303,691**
Liabilities					
Deposits by credit institutions	26	87,368	79,426	87,128	79,315
Deposits and borrowings from the public	27	76,879	80,909	76,873	80,908
Debt securities in issue	28	48,472	47,130	48,472	47,130
Derivatives	17	102,876	67,109	102,876	67,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	773	369	773	369
Current tax liabilities	12	41	8	39	4
Other liabilities	29	18,577	18,855	18,370	18,687
Accrued expenses and prepaid income	30	804	866	611	668
Deferred tax liabilities	12	57	53	-	-
Provisions	31	85	72	82	67
Retirement benefit liabilities	32	28	21	25	20
Subordinated liabilities	33	620	429	620	429
Total liabilities		**336,580**	**295,247**	**335,869**	**294,706**
Equity					
Non-controlling interests		-	1	-	-
Share capital		2,319	2,319	2,319	2,319
Share premium reserve		599	599	599	599
Other reserves		2,824	2,875	2,826	2,874
Retained earnings		3,876	3,720	3,266	3,193
Total equity		**9,618**	**9,514**	**9,010**	**8,985**
Total liabilities and equity		**346,198**	**304,761**	**344,879**	**303,691**
Assets pledged as security for own liabilities	34	43,426	35,061	43,426	35,056
Other assets pledged	35	5,017	4,393	5,017	4,393
Contingent liabilities	36	14,906	15,836	15,102	16,067
Credit commitments	37	16,021	15,882	13,297	13,422
Other commitments	37	769	721	452	326

Other notes

Note 1 Accounting policies
Note 2 Segment reporting
Note 38 Capital adequacy
Note 39 Classification of financial instruments
Note 40 Assets and liabilities at fair value
Note 41 Financial instruments set off on balance or subject to netting agreements
Note 42 Transferred assets and obtained collaterals
Note 43 Maturity analysis for assets and liabilities
Note 44 Related-party transactions
Note 45 Credit risk disclosures
Note 46 Interests in structured entities
Note 47 Mergers, acquisitions, disposals and dissolutions
Note 48 Nordea shares
Note 49 Transferred operations

Statement of changes in equity

Group

EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total**	**Non-controlling interests**	**Total equity**
	Attributable to the shareholders of Nordea Bank Finland Plc		Other reserves							
Balance at 1 Jan 2014	**2,319**	**599**	**-8**	**17**	**2,848**	**18**	**3,720**	**9,513**	**1**	**9,514**
Net profit for the year	-	-	-	-	-	-	902	902	-	902
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	-	-	-	-	-	-	0	0	-	0
Available-for-sale investments:										
- Valuation gains/losses during the year	-	-	-	33	-	-	-	33	-	33
- Tax on valuation gains/losses during the year	-	-	-	-7	-	-	-	-7	-	-7
Cash flow hedges:										
- Valuation gains/losses during the year	-	-	29	-	-	-	-	29	-	29
- Tax on valuation gains/losses during the year	-	-	-6	-	-	-	-	-6	-	-6
- Transferred to the income statement during the year	-	-	-21	-	-	-	-	-21	-	-21
- Tax on transfers to the income statement during the year	-	-	4	-	-	-	-	4	-	4
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
- Remeasurement of defined benefit plans during the year	-	-	-	-	-	-104	-	-104	-	-104
- Tax on remeasurement of defined benefit plans during the year	-	-	-	-	-	21	-	21	-	21
Other comprehensive income, net of tax	-	-	6	26	0	-83	0	-51	-	-51
Total comprehensive income	-	-	6	26	0	-83	902	851	-	851
Share-based payments	-	-	-	-	-	-	2	2	-	2
Dividend for 2013	-	-	-	-	-	-	-750	-750	-	-750
Other changes	-	-	-	-	0	-	2	2	-1	1
Balance at 31 Dec 2014	**2,319**	**599**	**-2**	**43**	**2,848**	**-65**	**3,876**	**9,618**	**0**	**9,618**

[1] Total shares registered were 1,030.8 million (31 Dec 2013: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

Statement of changes in equity *cont.*

Group

	Attributable to the shareholders of Nordea Bank Finland Plc									
			Other reserves							
EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 Jan 2013	**2,319**	**599**	**-35**	**13**	**2,848**	**-38**	**3,507**	**9,213**	**4**	**9,217**
Net profit for the year	-	-	-	-	-	-	828	828	-	828
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	-	-	-	-	0	-	-3	-3	-	-3
Available-for-sale investments:										
- Valuation gains/losses during the year	-	-	-	3	-	-	-	3	-	3
- Tax on valuation gains/losses during the year	-	-	-	1	-	-	-	1	-	1
Cash flow hedges:										
- Valuation gains/losses during the year	-	-	36	-	-	-	-	36	-	36
- Tax on valuation gains/losses during the year	-	-	-9	-	-	-	-	-9	-	-9
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
- Remeasurement of defined benefit plans during the year	-	-	-	-	-	73	-	73	-	73
- Tax on remeasurement of defined benefit plans during the year	-	-	-	-	-	-17	-	-17	-	-17
Other comprehensive income, net of tax	-	-	27	4	0	56	-3	84	-	84
Total comprehensive income	-	-	27	4	0	56	825	912	-	912
Share-based payments	-	-	-	-	-	-	2	2	-	2
Dividend for 2012	-	-	-	-	-	-	-625	-625	-	-625
Other changes	-	-	-	-	-	-	11	11	-3	8
Balance at 31 Dec 2013	**2,319**	**599**	**-8**	**17**	**2,848**	**18**	**3,720**	**9,513**	**1**	**9,514**

[1] Total shares registered were 1,030.8 million (31 Dec 2012: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

Statement of changes in equity *cont.*

Parent company

EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total equity**
	Attributable to the shareholders of Nordea Bank Finland Plc							
			Other reserves					
Balance at 1 Jan 2014	**2,319**	**599**	**-8**	**17**	**2,848**	**17**	**3,193**	**8,985**
Net profit for the year	-	-	-	-	-	-	821	821
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	-	-	-	-	-	-	-	0
Available-for-sale investments:								
- Valuation gains/losses during the year	-	-	-	33	-	-	-	33
- Tax on valuation gains/losses during the year	-	-	-	-6	-	-	-	-6
Cash flow hedges:					-			
- Valuation gains/losses during the year	-	-	29	-	-	-	-	29
- Tax on valuation gains/losses during the year	-	-	-6	-	-	-	-	-6
- Transferred to the income statement during the year	-	-	-21	-	-	-	-	-21
- Tax on transfers to the income statement during the year	-	-	4	-	-	-	-	4
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:								
- Remeasurement of defined benefit plans during the year	-	-	-	-	-	-101	-	-101
- Tax on remeasurement of defined benefit plans during the year	-	-	-	-	-	20	-	20
Other comprehensive income, net of tax	-	-	6	27	0	-81	-	-48
Total comprehensive income	-	-	6	27	0	-81	821	773
Share-based payments	-	-	-	-	-	-	2	2
Dividend for 2013	-	-	-	-	-	-	-750	-750
Other changes	-	-	-	-	-	-	0	0
Balance at 31 Dec 2014	**2,319**	**599**	**-2**	**44**	**2,848**	**-64**	**3,266**	**9,010**

[1] Total shares registered were 1,030.8 million (31 Dec 2013: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

Statement of changes in equity *cont.*

Parent company

EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total equity**
	Attributable to the shareholders of Nordea Bank Finland Plc		Other reserves					
Balance at 1 Jan 2013	**2,319**	**599**	**-35**	**13**	**2,848**	**-35**	**3,037**	**8,746**
Net profit for the year	-	-	-	-	-	-	780	780
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	-	-	-	-	-	-	-	-
Available-for-sale investments								
- Valuation gains/losses during the year	-	-	-	3	-	-	-	3
- Tax on valuation gains/losses during the year	-	-	-	1	-	-	-	1
Cash flow hedges:								
- Valuation gains/losses during the year	-	-	36	-	-	-	-	36
- Tax on valuation gains/losses during the year	-	-	-9	-	-	-	-	-9
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:								
- Remeasurement of defined benefit plans during the year	-	-	-	-	-	68	-	68
- Tax on remeasurement of defined benefit plans during the year	-	-	-	-	-	-16	-	-16
Other comprehensive income, net of tax	-	-	27	4	-	52	-	83
Total comprehensive income	-	-	27	4	-	52	780	863
Share-based payments	-	-	-	-	-	-	2	2
Dividend for 2012	-	-	-	-	-	-	-625	-625
Other changes	-	-	-	-	-	-	-1	-1
Balance at 31 Dec 2013	**2,319**	**599**	**-8**	**17**	**2,848**	**17**	**3,193**	**8,985**

[1] Total shares registered were 1,030.8 million (31 Dec 2012: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

No decision was made during the financial year to issue equity warrants or convertible bonds entitling to subscription of shares in the NBF. At the end of 2014, the NBF held no authorisations given by the General Meeting for issuance or buybacks of shares, equity warrants or convertible bonds.

Cash flow statement – Total operations

	Group		Parent company	
EURm	2014	2013	2014	2013
Operating activities				
Operating profit	1,164	1,079	1,046	987
Operating profit for the period from transferred Baltic operations	-30	34	-37	36
Adjustments for items not included in cash flow	891	658	837	628
Income taxes paid	-218	-282	-179	-239
Cash flow from operating activities before changes in operating assets and liabilities	**1,807**	**1,489**	**1,666**	**1,412**
Changes in operating assets				
Change in loans to central banks	3,378	-40	3,378	-40
Change in loans to credit institutions	-3,662	2,784	-3,945	3,662
Change in loans to the public	714	-13,375	1,083	-13,006
Change in interest-bearing securities	-5,827	1,634	-5,827	1,634
Change in financial assets pledged as collateral	-1,319	-1,661	-1,319	-1,661
Change in shares	-1,243	184	-1,243	182
Change in derivatives, net	1,136	-2,067	1,136	-2,068
Change in investment properties	8	-9	7	2
Change in other assets	-8,009	2,046	-8,008	2,046
Changes in operating liabilities				
Change in deposits by credit institutions	6,876	6,635	6,973	4,762
Change in deposits and borrowings from the public	-5,042	11,051	-5,037	10,685
Change in debt securities in issue	-565	-1,152	-565	-1,868
Change in other liabilities	228	-1,833	188	-1,789
Cash flow from operating activities	**-11,520**	**5,686**	**-11,513**	**3,953**
Investing activities				
Acquisition of business operations	-	0	-4	-7
Sale of business operations	9	1	9	4
Dividends from associated companies	17	27	-	-
Acquisition of associated undertakings	-	-2	-	-
Sale of associated undertakings	5	2	5	0
Acquisition of property and equipment	-53	-59	-55	-58
Sale of properties and equipment	6	13	0	1
Acquisition of intangible assets	-21	-11	-10	-9
Sale of intangible assets	1	0	1	0
Net of investments in debt securities, held to maturity	2,183	114	2,183	208
Purchase/sale of other financial fixed assets	2	-	3	-
Cash flow from investing activities	**2,149**	**85**	**2,132**	**139**
Financing activities				
Issued subordinated liabilities	191	-	191	-
Amortised subordinated liabilities	-	-27	-	-27
Dividend paid	-750	-627	-750	-625
Other changes	-34	39	-22	30
Cash flow from financing activities	**-593**	**-615**	**-581**	**-622**
Cash flow for the year	**-9,964**	**5,156**	**-9,962**	**3,470**
Cash and cash equivalents at the beginning of year	36,324	32,859	36,317	32,847
Translation difference	-3,354	1,691	-3,356	-
Cash and cash equivalents at the end of year	29,714	36,324	29,711	36,317
Change	**-9,964**	**5,156**	**-9,962**	**3,470**

Cash flow statement – Total operations *cont.*

Comments on the cash flow statement

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

Operating activities

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

	Group		Parent company	
EURm	2014	2013	2014	2013
Depreciation	36	39	33	31
Impairment charges	56	1	72	1
Loan losses	88	77	63	50
Unrealised gains/losses	51	476	52	475
Capital gains/losses (net)	-10	-8	-9	-1
Change in accruals and provisions	66	312	73	310
Translation differences	-10	2	1	1
Other	614	-241	552	-239
Total	**891**	**658**	**837**	**628**

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:

	Group		Parent company	
EURm	2014	2013	2014	2013
Interest payments received	2,006	1,880	1,754	1,643
Interest expenses paid	-910	-708	-908	-706

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 assets:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Cash and balances with central banks	28,846	30,904	28,846	30,904
Loans to credit institutions, payable on demand	868	5,420	865	5,413
	29,714	**36,324**	**29,711**	**36,317**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;
- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available any time.

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

Notes to the financial statements

Note 1 Accounting policies

Contents for Note 1

1. Basis for presentation

NBF's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of such standards by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the EU Commission. In addition, certain complementary rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions 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 27 February 2015 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 9 March 2015.

2. Changed accounting policies and presentation

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

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

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

IFRS 10 clarifies which entities should be included in the consolidated accounts and how to perform the consolidation. IFRS 10 did not change the scope of consolidation for Nordea in 2014. IFRS 11 describes the accounting for investments in entities in which two or more investors have joint control, typically a 50/50 holding. Nordea has currently no such interests and IFRS 11 has not had any impact on the financial statements in 2014. IFRS 12 has added disclosures, mainly regarding unconsolidated structured entities. These disclosures can be found in note 46 "Interests in structured entities". The standard also includes guidance on disclosures for subsidiaries and associates, but these disclosure requirements are similar to the previous disclosure requirements in IAS 27 and IAS 28.

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

Capital Adequacy Disclosure
The information presented in Note 38 has been adapted to fulfil the disclosure recommendations regarding capital adequacy published by the FIN-FSA 18.12.2014 – 87/2014. Main changes due to the implementation of CCR are described in the footnotes of table "Summary of items included in own funds".

3. Changes in IFRSs not yet applied by Nordea

IFRS 9 "Financial Instruments"
IASB has during 2014 completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements for these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted. The EU commission has not yet endorsed IFRS 9 and there is currently no official timetable for this process. Nordea does not currently intend to early adopt the standard.

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

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

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

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

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

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

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

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

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

4. Critical judgements and estimation uncertainty

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

- the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- 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 valuation of investment properties
- the classification of leases
- the classification of Additional Tier 1 instruments
- 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 10 “Determination of fair value of financial instruments” and Note 40 “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 190,120m (138,488) and EUR 174,016m (132,026) respectively at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note 40 "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 15 "Intangible assets" and Note 21 "Intangible assets" lists the cash generating units to which goodwill has been allocated. 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.

Impairment testing of loans to the public/credit institutions
Nordea's accounting policy for impairment testing of loans is described in section 13 "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. NBF's total lending before impairment allowances was EUR 149,734m (150,385) at the end of the year. For more information, see Note 13 "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 9 "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 19 "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 Finland the discount rate is determined with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end is disclosed in Note 32 “Retirement benefit obligations” together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 948m (788) at the end of the year.

Valuation of investment properties
Nordea’s accounting policies for investment properties are described in section 17 “Investment properties”.

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

The carrying amounts of investment properties were EUR 2m (113) at the end of the year. See Note 23 “Investment properties” for more information on amounts and parameters used in these models.

Classification of leases
Nordea’s accounting policies for leases are described in section 14 “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 that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the assets by the end of the lease term, nor any economic benefit from appreciation in value of the leased properties. In addition, the lease term is not for the major part of the assets’ economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement.

More information on lease contracts can be found in Note 22 “Leasing”.

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

Assessing control for consolidation purposes
One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea’s critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity.

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

Translation of assets and liabilities denominated in foreign currencies
Nordea’s accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 8 “Translation of assets and liabilities denominated in foreign currencies”.

Valuation of deferred tax assets
Nordea’s accounting policy for the recognition of deferred tax assets is described in section 18 “Taxes” and Note 12 “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 43m (5) 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 31 “Provisions” and Note 36 “Contingent liabilities”.

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank Finland Plc, and those entities that the parent company controls. Control exists when NBF is exposed to variability in returns from its investments in another entity and has the ability to affect those returns through its power over the other entity. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights. For entities where voting rights does not decide control, see section "Structured entities" below.

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

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

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

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

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

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

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

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

Note 19 "Investments in group undertakings" lists the major group undertakings in the NBF Group.

Investments in associated undertakings

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

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

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

Note 20 "Investments in associated undertakings" lists the major associated undertakings in the NBF Group.

Structured entities

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

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

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

Further information about consolidated and unconsolidated structured entities is disclosed in Note 46 “Interests in structured entities”.

Currency translation of foreign entities
The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank Finland Plc. 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.

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 are classified as “Net result from items at fair value” in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

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

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

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

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

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

Realised and unrealised gains and losses derive from:

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

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

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

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

“Net result from items at fair value” includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. 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.

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 NBF’s share of net assets in the associated undertakings. NBF’s share of items accounted for in other comprehensive income in the associated undertakings is accounted for in other comprehensive income in NBF. 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 NBF.

Fair values are, at acquisition, allocated to the associated undertaking’s identifiable assets, liabilities and contingent liabilities. Any difference between NBF’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 NBF’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 12 “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. 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 13 “Loans to the public/credit institutions”.

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above, as well as impairment on financial assets classified into the category Available for sale are reported under "Net result from items at fair value".

Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 12 "Financial instruments" and section 13 "Loans to the public/credit institutions".

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

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

7. Recognition and derecognition of financial instruments on the balance sheet

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

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

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

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

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 12 "Financial instruments", as well as Note 42 "Transferred assets and obtained collaterals".

8. 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. 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".

9. Hedge accounting

Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

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

There are three forms of hedge accounting:

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

NBF currently applies fair value hedge accounting and cash flow hedge accounting.

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

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

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

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

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

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

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

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

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.

10. 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)

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:

- 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 40 “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 40 “Assets and liabilities at fair value”.

11. Cash and balances with central banks

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks, where the following conditions are fulfilled:

- The central bank is domiciled in the country where the institutions is established
- The balance is readily available at any time.

12. 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. The classification of the financial instruments on Nordea’s balance sheet into different categories is presented in Note 39 “Classification of financial instruments”.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item “Net result from items at fair value”.

The category consists of two sub-categories; Held for trading and Designated at fair value through profit or loss (fair value option).

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes, interest-bearing securities and shares within Markets and Treasury. It also contains trading liabilities such as short-selling positions and lending in reverse repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are certain other assets/liabilities, interest-bearing securities and shares.

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 13 “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 13 “Loans to the public/credit institutions” for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

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

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

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

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

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

Index-linked bonds issued by Markets as part of the trading portfolio are classified into the category Held for trading, and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item “Net result from items at fair value”.

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item “Financial instruments pledged as collateral”.

Securities in securities lending transactions are also disclosed in the item “Assets pledged as security for own liabilities”.

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

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

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

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

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

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

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

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

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

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

13. 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 7 "Recognition and derecognition of financial instruments on the balance sheet" as well as Note 39 ”Classification of financial instruments").

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

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and 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 assesses all significant loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

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 down-rated due to estimated decreases in cash-flows. Netting is only performed within groups with similar risk characteristics where Nordea assesses that the customers' future cash flows are insufficient to serve the loans in full.

Impairment loss

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

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

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

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

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

Discount rate

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

Restructured loans

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

Assets taken over for protection of claims

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

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (fair value option) (see section 12 "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.

14. Leasing

NBF as lessor

Finance leases

Nordea’s leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item “Loans to the public” at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as properties and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as “Net interest income”. The depreciation of the leased assets is calculated on the basis of Nordea’s depreciation policy for similar assets and reported as “Depreciation, amortisation and impairment charges of tangible and intangible assets” in the income statement.

NBF as lessee

Finance leases

No leases in NBF have been classified as finance leases.

Operating leases

Operating leases are not recognised on NBF’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 that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased properties. In addition, the lease term is not for the major part of the assets’ economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea’s economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

15. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea’s control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT-development/computer software and customer related intangible assets.

Goodwill

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

IT-development/Computer software

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

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

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

Impairment
Goodwill 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.

16. Property and equipment

Properties and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment comprise its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

- Buildings: 30–75 years
- Equipment: 3–5 years
- Leasehold improvements: Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

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

17. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

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

18. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

19. 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 22 “Share-based payment”.

More information can be found in Note 8 “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. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability (“Retirement benefit liabilities”). If not, the net amount is recognised as an asset (“Retirement benefit assets”). Non-funded pension plans are recognised as “Retirement benefit liabilities “.

Most pensions are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea’s net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 32 “Retirement benefit obligations”).

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

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

Discount rate in defined benefit pension plans
The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Finland the discount rate is determined with 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 8 "Staff costs".

20. Equity

Non-controlling interests
Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Finland Plc.

For each business combination, NBF 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, NBF's share of the earnings in associated undertakings, after the acquisition date, that have not been distributed is included in retained earnings.

21. 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".

22. Share-based payment

Equity-settled programmes
Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes were granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The

value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period. 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 8 "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 8 "Staff costs".

23. 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 NBF but do not control those policies. Nordea and its group companies are considered as having such a power.

Group undertakings
For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the NBF Group is found in Note 19 "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 NBF Group is found in Note 20 "Investments in associated undertakings".

Key management personnel
Key management personnel include the following positions:

- The Board of Directors of NBF and Nordea Bank AB (publ)
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM).

For information about compensation, pensions and other transactions with key management personnel, see Note 8 "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 44 "Related-party transactions".

Note 2 Segment reporting

Operating segments

Group

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 NBF the CODM has been defined as Group Executive Management.

Basis of segmentation
Financial results are presented for the two main business areas Retail Banking and Wholesale Banking, 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.

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, Oil Services & International is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailormade solutions and syndicated loan transactions. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas. Group Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the NBF Group. The main income in Group Corporate Centre originates from Group Treasury.

	Retail Banking		Wholesale Banking		Group Corporate Centre	
Income statement, EURm	2014	2013	2014	2013	2014	2013
Net interest income	849	811	289	294	53	85
Net fee and commission income	642	622	-180	-186	-8	-5
Net result from items at fair value	134	91	822	1,011	29	-9
Profit from companies accounted for under the equity method	3	7	-	-	-	-
Other income	15	27	2	0	7	8
Total operating income	**1,643**	**1,558**	**933**	**1,119**	**81**	**79**
Staff costs	-333	-351	-150	-146	-46	-41
Other expenses	-412	-485	-39	-36	4	9
Depreciation, amortisation and impairment charges of tangible and intangible assets	-22	-22	-5	-8	-6	-7
Total operating expenses	**-767**	**-858**	**-194**	**-190**	**-48**	**-39**
Profit before loan losses	**876**	**700**	**739**	**929**	**33**	**40**
Net loan losses	-118	-100	-9	-52	2	17
Impairment of securities held as financial non-current assets	-	-	-	-	-	-
Operating profit	**758**	**600**	**730**	**877**	**35**	**57**
Income tax expense	-	-	-	-	-	-
Net profit for the year	**758**	**600**	**730**	**877**	**35**	**57**
Balance sheet, EURm						
Loans to the public	53,754	59,101	59,719	55,081	0	-83
Deposits and borrowings from the public	33,452	37,359	37,046	43,056	5,955	496

Note 2 *Segment reporting, cont.*

Operating segments

Group

Income statement, EURm	Total operating segments 2014	Total operating segments 2013	Reconciliation 2014	Reconciliation 2013	**Total Group 2014**	**Total Group 2013**
Net interest income	1,191	1,190	-2	-7	1,189	1,183
Net fee and commission income	454	431	-379	-544	75	-113
Net result from items at fair value	985	1,093	-15	21	970	1,114
Profit from companies accounted for under the equity method	3	7	0	1	3	8
Other income	24	35	17	-3	41	32
Total operating income	**2,657**	**2,756**	**-379**	**-532**	**2,278**	**2,224**
Staff costs	-529	-538	-30	-15	-559	-553
Other expenses	-447	-512	14	46	-433	-466
Depreciation of tangible and intangible assets	-33	-37	-59	-3	-92	-40
Total operating expenses	**-1,009**	**-1,087**	**-75**	**28**	**-1,084**	**-1,059**
Profit before loan losses	**1,648**	**1,669**	**-454**	**-504**	**1,194**	**1,165**
Net loan losses	-125	-135	65	82	-60	-53
Impairment of securities held as financial non-current asset		-	-	1	-	1
Operating profit	**1,523**	**1,534**	**-389**	**-421**	**1,134**	**1,113**
Income tax expense	-	-	-232	-285	-232	-285
Net profit for the year	**1,523**	**1,534**	**-621**	**-706**	**902**	**828**
Balance sheet, EURm						
Loans to the public	113,473	114,099	275	-320	113,748	113,779
Deposits and borrowings from the public	76,453	80,911	427	-2	76,879	80,909

Break-down of Retail Banking

Income statement, EURm	Retail Banking Nordic[1] 2014	Retail Banking Nordic[1] 2013	Retail Banking Baltic[2] 2014	Retail Banking Baltic[2] 2013	Retail Banking Other[3] 2014	Retail Banking Other[3] 2013	**Total Retail Banking 2014**	**Total Retail Banking 2013**
Net interest income	770	674	70	162	9	-26	849	811
Net fee and commission income	657	580	-11	46	-3	-4	642	622
Net result from items at fair value	117	95	15	-3	2	0	134	91
Profit from companies accounted for under the equity method	-	-	-	-	2	7	3	7
Other income	19	35	4	3	-8	-11	15	27
Total operating income	**1,563**	**1,384**	**78**	**208**	**2**	**-34**	**1,643**	**1,558**
Staff costs	-255	-254	-14	-29	-64	-68	-333	-351
Other expenses	-482	-495	-4	-62	74	72	-412	-485
Depreciation of tangible and intangible assets	-10	-6	-1	-2	-12	-14	-22	-22
Total operating expenses	**-747**	**-755**	**-19**	**-93**	**-2**	**-10**	**-767**	**-858**
Profit before loan losses	**816**	**629**	**59**	**115**	**0**	**-44**	**876**	**700**
Net loan losses	-72	-57	-39	-42	-7	-1	-118	-100
Operating profit	**744**	**572**	**20**	**73**	**-7**	**-45**	**758**	**600**
Income tax expense	-	-	-	-	-	-	-	-
Net profit for the year	**744**	**572**	**20**	**73**	**-7**	**-45**	**758**	**600**
Balance sheet, EURm								
Loans to the public	46,693	45,479	1,403	8,195	5,658	5,428	53,754	59,101
Deposits and borrowings from the public	33,437	33,714	12	3,641	3	4	33,452	37,359

[1] Retail Banking Nordic includes banking operations in Finland.
[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.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2014	Corporate & Institutional Banking 2013	Shipping, Offshore & Oil Services 2014	Shipping, Offshore & Oil Services 2013
Net interest income	164	161	117	113
Net fee and commission income	154	156	29	20
Net result from items at fair value	58	66	11	12
Profit from companies accounted for under the equity method	-	-	-	-
Other income	0	0	0	-
Total operating income	**376**	**383**	**157**	**145**
Staff costs	-13	-6	-6	-9
Other expenses	-100	-105	-20	-14
Depreciation of tangible and intangible assets	0	0	0	0
Total operating expenses	**-113**	**-111**	**-26**	**-23**
Profit before loan losses	**263**	**272**	**131**	**122**
Net loan losses	-27	-20	19	-36
Operating profit	**236**	**252**	**150**	**86**
Income tax expense	-	-	-	-
Net profit for the year	**236**	**252**	**150**	**86**
Balance sheet, EURm				
Loans to the public	9,856	9,161	4,835	4,423
Deposits and borrowings from the public	10,556	7,319	2,202	1,853

Income statement, EURm	Capital Markets unallocated 2014	Capital Markets unallocated 2013	Wholesale Banking Other[4] 2014	Wholesale Banking Other[4] 2013	**Total Wholesale Banking 2014**	**Total Wholesale Banking 2013**
Net interest income	2	4	5	16	289	294
Net fee and commission income	-381	-389	18	27	-180	-186
Net result from items at fair value	722	890	31	42	822	1,011
Profit from companies accounted for under the equity method	-	-	-	-	-	-
Other income	2	0	0	0	2	0
Total operating income	**345**	**505**	**54**	**85**	**933**	**1,119**
Staff costs	-75	-73	-56	-57	-150	-146
Other expenses	42	51	39	33	-39	-36
Depreciation of tangible and intangible assets	-3	-4	-2	-4	-5	-8
Total operating expenses	**-36**	**-26**	**-19**	**-28**	**-194**	**-190**
Profit before loan losses	**309**	**479**	**35**	**57**	**739**	**929**
Net loan losses	-	-	-1	3	-9	-52
Operating profit	**309**	**479**	**34**	**60**	**730**	**877**
Income tax expense	-	-	-	-	-	-
Net profit for the year	**309**	**479**	**34**	**60**	**730**	**877**
Balance sheet, EURm						
Loans to the public	44,777	40,176	251	1,321	59,719	55,081
Deposits and borrowings from the public	24,285	26,923	3	6,961	37,046	43,056

[4] Wholesale Banking Other includes the area International Units and the support areas Transaction Products, Segment CIB and IT.

Note 2 *Segment reporting, cont.*

Reconciliation between total operating segments and financial statements

	Total operating income		Operating profit		Loans to the public		Deposits and borrowings from the public	
EURm	2014	2013	2014	2013	2014	2013	2014	2013
Total Operating segments	2,657	2,756	1,523	1,534	113,473	114,099	76,453	80,911
Group functions[1]	-379	-526	-389	-421	283	-2	429	10
Eliminations	0	-6	-	-	-8	-318	-3	-12
Total	**2,278**	**2,224**	**1,134**	**1,113**	**113,748**	**113,779**	**76,879**	**80,909**

[1] Consists of Group Risk Management, Group Internal Audit, Group Identity & Communications, Group Human Resources, Board of Directors and Group Executive Management.

Group

Total operating income split on product groups

EURm	2014	2013
Banking products	1,725	1,539
Capital Markets products	542	675
Savings Products & Asset Management	-	-
Life & Pensions	11	10
Other	-	-
Total	**2,278**	**2,224**

Banking products consists of three different product types. Account products include 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. Financings products include 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 arrangement 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 decision.

Group

Geographical information

	Total operating income		Assets	
EURm	2014	2013	2014	2013
Sweden	69	100	21,087	15,886
Finland	1,484	1,177	115,625	97,083
Norway	44	113	9,427	6,431
Denmark	278	361	145,439	111,258
Baltic countries	82	176	1,415	9,721
Poland	3	9	-	123
Other	318	288	53,205	64,259
Total	**2,278**	**2,224**	**346,198**	**304,761**

NBF's main geographical market comprises the Nordic countries and the Baltic countries. Revenues and assets are distributed to geographical areas based on the location of customer operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

Note 3 Net interest income

	Group		Parent company	
EURm	2014	2013	2014	2013
Interest income				
Loans to credit institutions	128	65	156	97
Loans to the public	1,460	1,571	1,171	1,295
Interest-bearing securities	146	142	146	142
Other interest income	72	71	78	79
Interest income[1]	**1,806**	**1,849**	**1,551**	**1,613**

[1] Of which contingent leasing income amounts to EUR 32m (15). 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.

Interest expense				
Deposits by credit institutions	-250	-289	-248	-287
Deposits and borrowings from the public	-151	-191	-151	-192
Debt securities in issue	-408	-419	-408	-419
Subordinated liabilities	-23	-25	-23	-25
Other interest expense[2]	215	258	215	258
Interest expense	**-617**	**-666**	**-615**	**-665**
Net interest income	**1,189**	**1,183**	**936**	**948**

[2] The net interest income from derivatives, measured at fair value and related to Nordea's funding can have both a positive and negative impact on other interest expense, for further information see Note 1.

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 1,664m (1,724) for the Group and EUR 1,409m (1,488) for the parent company. Interest expense from financial instruments not measured at fair value through profit and loss amounts to EUR -834m (-924) for the Group and EUR -833m (-923) for the parent company.

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

Note 4 Net fee and commission income

	Group		Parent company	
EURm	2014	2013	2014	2013
Asset Management commissions	69	59	69	59
Life insurance	9	9	10	9
Brokerage, securities issues and corporate finance	75	46	75	46
Custody and issuer services	28	23	28	24
Deposits	5	7	5	7
Total savings and investments	186	144	187	145
Payments	198	200	200	202
Cards	128	129	92	93
Total payments and cards	326	329	292	295
Lending	129	122	126	112
Guarantees and documentary payments	120	132	120	132
Total lending related to commissions	249	254	246	244
Other commission income	33	32	32	31
Fee and commission income	**794**	**759**	**757**	**715**
Savings and investments	-360	-332	-360	-332
Payments	-11	-10	-9	-7
Cards	-58	-63	-56	-62
Other commission expenses[1]	-290	-467	-287	-465
Fee and commission expenses	**-719**	**-872**	**-712**	**-866**
Net fee and commission income	**75**	**-113**	**45**	**-151**

[1] Mainly consists of Finnish bank tax and guarantee commission fee paid to Nordea Bank AB (publ)

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 134m (129) for the Group and EUR 131m (119) for the parent company.

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 amounted to EUR 153m (114) for the Group and EUR 153m (114) for the parent company.

Note 5 Net result from items at fair value

	Group		Parent company	
EURm	2014	2013	2014	2013
Shares/participations and other share-related instruments	342	93	342	92
Interest-bearing securities and other interest-related instruments	734	-2	733	-2
Other financial instruments	406	90	406	90
Foreign exchange gains/losses	-499	939	-502	934
Investment properties	-13	-6	-4	-4
Total	**970**	**1,114**	**975**	**1,110**

Net result from categories of financial instruments

	Group		Parent company	
EURm	2014	2013	2014	2013
Available for sale assets, realised	21	-16	21	-16
Financial instruments designated at fair value through profit or loss	159	163	158	164
Financial instruments held for trading[1]	1,313	22	1,313	20
Financial instruments under fair value hedge accounting	4	7	4	7
- of which net result on hedging instruments	179	-157	179	-157
- of which net result on hedged items	-174	164	-174	164
Financial assets measured at amortised cost[2]	6	1	6	1
Foreign exchange gains/losses excl currency hedges	-518	941	-521	938
Other	-15	-4	-6	-4
Total	**970**	**1,114**	**975**	**1,110**

[1] Of which amortised deferred day one profits amounted to EUR -3m for 2014 (2) both for the Group and the parent company.
[2] Of which EUR 6m (1) related to instruments classified into the category "Loans and receivables".

Note 6 Dividends

	Group		Parent company	
EURm	2014	2013	2014	2013
Investments in group undertakings	-	-	100	101
Investments in associated undertakings	-	-	17	27
Total	**-**	**-**	**117**	**128**

Note 7 Other operating income

	Group		Parent company	
EURm	2014	2013	2014	2013
Divestment of shares	9	1	9	-
Income from real estate	6	2	1	1
Disposals of tangible and intangible assets	2	4	0	1
Other	24	25	19	24
Total	**41**	**32**	**29**	**26**

Note 8 Staff costs

EURm	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Salaries and remuneration	-420	-426	-394	-397
Pension costs (specification below)	-62	-60	-58	-56
Social security contributions	-35	-30	-33	-27
Allocation to profit-sharing foundation[1]	-19	-11	-18	-11
Other staff costs	-23	-26	-22	-25
Total	**-559**	**-553**	**-525**	**-516**

[1] Allocation to profit-sharing foundation 2014 EUR 19m (11) in the Group and EUR 18m (11) in the parent company consists of a new allocation of EUR 18m (12) in the Group and EUR 17m (11) in the parent company and expenses related to prior years of EUR 1m (-1) in the Group and EUR 1m (-1) in the parent company.

	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Pension costs:				
Defined benefit plans (Note 33)	1	0	1	1
Defined contribution plans	-63	-60	-60	-57
Total	**-62**	**-60**	**-59**	**-56**

Additional disclosures on remuneration under Nordic FSAs' regulation and general guidelines (including EU Commission Regulation 604/2014)
The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Director's 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 19 March 2015.

Compensation etc. to the Board of Directors, President and his deputy
The members of the Board of Directors of Nordea Bank Finland Plc and the President, are all members of the Nordea Bank AB (publ) Group Executive Management except for the one external member Carl-Johan Granvik. The monthly fee for the external Board member was 1,250 euros, totalling 15,000 euros in 2014 (15,000). The monthly fee for committee work for Carl-Johan Granvik was 500 euros, totalling 6,000 euros in 2014. In 2014 Nordea Bank AB (publ) has paid all salaries, fees, pension- and other staff-related expenses to the above mentioned other members of the Board and the President. Nordea Bank AB (publ) has allocated these salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation expenses.

Information on salaries, loans and pension liabilities of the above mentioned other members of the Board and the President is presented in the Annual Report of Nordea Bank AB (publ).

Remuneration to the President of Nordea Bank Finland Plc and Deputy to the President of Nordea Bank Finland Plc

EUR	Fixed salary 2014	GEM Excutive Incentive Programme 2014	Long Term Incentive Programme 2014	Benefits 2014	Total 2014
President of Nordea Bank Finland Plc (employed by Nordea Bank AB (publ)): Ari Kaperi	641,204	416,300	184,767	16,016	**1,258,287**
Deputy to the President of Nordea Bank Finland Plc: Topi Manner	367,646	132,600	81,342	15,916	**597,504**

Defined benefit pension obligation for the President of Nordea Bank Finland Plc amounted to EUR 1 998 192 and for Carl-Johan Granvik to EUR 4 161 101. Both amounts are included in the pension obligations of Nordea Bank AB (publ). There is at yearend no defined benefit plan for the Deputy of the President.

Defined benefit pension obligation for the former Presidents and Deputies of the President of Nordea Bank Finland Plc amounted to EUR 5 427 979 of which EUR 1 738 049 is included in the pension obligations of Nordea Bank AB (publ).

Loans to key management personnel

EUR	Loans granted by NBF 2014	Paid interest 2014	Loans granted by NBF 2013	Paid interest 2013
President of Nordea Bank Finland Plc (employed by Nordea Bank AB (publ)): Ari Kaperi	-	-	-	-
Deputy to the President of Nordea Bank Finland Plc: Topi Manner	603,633	5,286	636,630	2,581
To members and deputy members of the Board of Directors of NBF	397,884	8,932	422,892	8,962
Total	**1,001,517**	**14,218**	**1,059,522**	**11,543**

EUR	Loans granted by NBF Group 2014	Paid interest 2014	Loans granted by NBF Group 2013	Paid interest 2013
President of Nordea Bank Finland Plc (employed by Nordea Bank AB (publ)): Ari Kaperi	759	0	0	0
Deputy to the President of Nordea Bank Finland Plc: Topi Manner	604,318	5,286	636,630	2,581
To members and deputy members of the Board of Directors of NBF	400,943	8,932	422,892	8,962
Total	**1,006,020**	**14,218**	**1,059,522**	**11,543**

Loans to key management personnel as defined in Note 1 section 23 amounted to EUR 615,720 (636,780) in the Group and EUR 578,094 (619,287) in the parent company. Interest income on these loans amounted to EUR 21,986 (9,851) in the Group and EUR 21,984 (9,613) in the parent company.

Terms and conditions regarding loans for key management personnel employed by Nordea are decided in accordance with instructions issued by the Board of Directors of NBF. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management who are not employees of Nordea. In Finland the employee interest rate for loans granted before 1 September 2014 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. Interest rate for loans granted as from 1 September 2014 corresponds to Nordea's funding cost with a margin of 40 basis points up to EUR 400,000, and 60 basis points on the part that exceeds EUR 400,000.

The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any key management personnel.

Guarantees and other off-balance-sheet commitments
No guarantees or other off-balance-sheet commitments have been granted to members of administrative or controlling boards or to auditors.

The members of the administrative and controlling boards have no holdings of shares, equity warrants or convertible bonds issued by Nordea Bank Finland Plc.

Long Term Incentive Programmes

Group

Conditional Rights LTIP 2012	2014 Matching Share	2014 Performance Share I	2014 Performance Share II	2013 Matching Share	2013 Performance Share I	2013 Performance Share II
Outstanding at the beginning of year	211,263	508,636	211,263	207,861	497,861	207,861
Granted[1]	8,991	21,580	8,991	7,816[1]	19,603[1]	7,816[1]
Transfer during the year	-9,377	-26,344	-9,377	-	-	-
Forfeited	-5,757	-11,514	-5,757	-4,414	-8,828	-4,414
Outstanding at end of year	**205,120**	**492,358**	**205,120**	**211,263**	**508,636**	**211,263**
- of which currently exercisable	-	-	-	-	-	-

Parent company

Conditional Rights LTIP 2012	2014 Matching Share	2014 Performance Share I	2014 Performance Share II	2013 Matching Share	2013 Performance Share I	2013 Performance Share II
Outstanding at the beginning of year	205,991	494,835	205,991	202,784	484,654	202,784
Granted[1]	8,749	20,947	8,749	7,621[1]	19,009[1]	7,621[1]
Transfer during the year	-9,377	-26,344	-9,377	-	-	-
Forfeited	-5,757	-11,514	-5,757	-4,414	-8,828	-4,414
Outstanding at end of year	**199,606**	**477,925**	**199,606**	**205,991**	**494,835**	**205,991**
- of which currently exercisable	-	-	-	-	-	-

Group

Rights LTIP 2011	2014 Matching Share	2014 Performance Share I	2014 Performance Share II	2013 Matching Share	2013 Performance Share I	2013 Performance Share II
Outstanding at the beginning of year	147,709	295,418	147,709	149,531	299,062	149,531
Granted[1]	6,161	12,323	6,161	5,465	10,930	5,465
Transfer during the year	-6,121	-12,242	-6,121	-	-	-
Forfeited	-2,251	-52,398	-82,275	-7,287	-14,574	-7,287
Allotted	-118,675	-198,282	-53,404	-	-	-
Outstanding at end of year	**26,823**	**44,818**	**12,070**	**147,709**	**295,418**	**147,709**
- of which currently exercisable	-	-	-	-	-	-

Parent company

Rights LTIP 2011	2014 Matching Share	2014 Performance Share I	2014 Performance Share II	2013 Matching Share	2013 Performance Share I	2013 Performance Share II
Outstanding at the beginning of year	144,054	288,107	144,054	146,011	292,022	146,011
Granted[1]	6,000	12,000	6,000	5,330	10,660	5,330
Transfer during the year	-6,121	-12,242	-6,121	-	-	-
Forfeited	-2,246	-51,134	-80,174	-7,287	-14,574	-7,287
Allotted	-116,317	-194,343	-52,343	-	-	-
Outstanding at end of year	**25,370**	**42,388**	**11,416**	**144,054**	**288,107**	**144,054**
- of which currently exercisable	-	-	-	-	-	-

Group

Rights LTIP 2010	2014 Matching Share	2014 Performance Share I	2014 Performance Share II	2013 Matching Share	2013 Performance Share I	2013 Performance Share II
Outstanding at the beginning of year	23,955	25,310	10,780	153,128	306,256	153,128
Transfer during the year	-2,959	-3,126	-1,332	-	-	-
Forfeited	-	-	-2,543	-5,032	-149,790	-86,481
Allotted	-5,651	-5,971	-	-124,141	-131,156	-55,867
Outstanding at end of year	**15,345**	**16,213**	**6,905**	**23,955**	**25,310**	**10,780**
- of which currently exercisable	-	-	-	-	-	-

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

Parent company

Rights LTIP 2010	Matching Share	2014 Performance Share I	Performance Share II	Matching Share	2013 Performance Share I	Performance Share II
Outstanding at the beginning of year	23,955	25,310	10,780	150,708	301,416	150,708
Transfer during the year	-2,959	-3,126	-1,332	-	-	-
Forfeited	-	-	-	-5,032	-147,507	-85,150
Allotted	-5,651	-5,971	-2,543	-121,721	-128,599	-54,778
Outstanding at end of year	**15,345**	**16,213**	**6,905**	**23,955**	**25,310**	**10,780**
- of which currently exercisable	-	-	-	-	-	-

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

	LTIP 2012			LTIP 2011		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price, EUR	-	-	-	-	-	-
Grant date	13 May 2012	13 May 2012	13 May 2012	13 May 2011	13 May 2011	13 May 2011
Vesting period, months	36	36	36	36	36	36
Contractual life, months	36	36	36	36	36	36
Allotment	April/May 2015	April/May 2015	April/'May 2015	April/May 2014	April/May 2014	April/May 2014
Fair value at grant date, EUR	6.06[1]	6.06[1]	2.19[1]	7.33[1]	7.33[1]	2.65[1]

[1] The fair value has been recalculated due to dividend during the vesting period which the participants are compensated for through additional Matching and Performance Shares.

	LTIP 2010		
	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00
Exercise price, EUR	-	-	-
Grant date	13 May 2010	13 May 2010	13 May 2010
Vesting period, months	36	36	36
Contractual life, months	36	36	36
Allotment	April/May 2013	April/May 2013	April/May 2013
Fair value at grant date, EUR	6.75	6.75	2.45

Conditions and requirements

For each ordinary share the participants lock in to the LTIPs, they are granted a conditional Matching Share to receive ordinary shares based on continued employment, with certain exemptions, and the conditional Performance Share I and II to receive additional ordinary shares also based on fulfilment of certain performance conditions. The performance conditions for Performance Share I comprise a target growth in risk adjusted profit per share (RAPPS) or a target in risk-adjusted return on capital at risk (RAROCAR). Should the reported earnings per share (EPS) be lower than a predetermined level the participants are not entitled to exercise any Performance Share I. The performance conditions for Performance Share II are market related and comprise growth in total shareholder return (TSR) in comparison with a peer group's TSR or a target in RAROCAR and in P/B-ranking compared to a peer group. Furthermore the profit for each right is capped.

When the performance conditions are not fulfilled in full, the rights that are no longer exercisable are shown as forfeited in the previous tables, together with shares forfeited due to participants leaving the Nordea Group.

	LTIP 2012	LTIP 2011	LTIP 2010
Service condition, Matching Share / Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.
Performance condition, Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full allotment will be obtained if the RAROCAR amounts to 17%.	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full allotment will be obtained if the Compound Annual Growth Rate amounts to or exceeds 10%.	Compound Annual Growth Rate in RAPPS from year 2009 (base year) to and including year 2012. Full allotment was obtained if the Compound Annual Growth Rate amounted to or exceeded 9%.
EPS knock out, Performance Share I	-	Average reported EPS for 2011-2013 lower than EUR 0.26.	Average reported EPS for 2010-2012 lower than EUR 0.26.
Performance condition, Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/B-ranking year-end 2014 compared to a peer group. Full allotment will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1-5.	TSR during 2011-2013 in comparison with a peer group. Full allotment will be obtained if Nordea is ranked number 1-5.	TSR during 2010-2012 in comparison with a peer group. Full allotment was obtained if Nordea is ranked number 1-5.
Cap	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2010.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2009.
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	-

Fair value calculations

The fair value is measured through the use of generally accepted valuation models with the following input factors:

	LTIP 2012	**LTIP 2011**	**LTIP 2010**
Weighted average share price, EUR	6.70	8.39	6.88
Right life, years	3.0	3.0	3.0
Deduction of expected dividends	No	No	No
Risk free rate, %	Not applicable	Not applicable	Not applicable
Expected volatility, %	Not applicable	Not applicable	Not applicable

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 value of the Performance Share II are based on market related conditions and fulfilment of the TSR, RAROCAR and P/B targets have been taken into consideration when calculating the right's fair value at grant. 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]

Group

EURm	LTIP 2012	LTIP 2011	LTIP 2010
Expected expense for the whole programme	-4.7	-3.1	-2.4
Maximum expense for the whole programme	-4.8	-3.1	-2.4
Total expense during 2014	-2.2	-0.3	0.0
Total expense during 2013	-1.0	-1.1	-0.5

Parent company

EURm	LTIP 2012	LTIP 2011	LTIP 2010
Expected expense for the whole programme	-4.6	-3.0	-2.4
Maximum expense for the whole programme	-4.7	-3.0	-2.4
Total expense during 2014	-2.1	-0.3	-0.0
Total expense during 2013	-1.0	-1.1	-0.5

[1] All amounts excluding social security contribution.

When calculating the expected expense an expected annual employee turnover of 5% has been used. The expected expense is recognised over the vesting period of 36 months

Cash-settled share-based payment transactions
Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either 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 introduced in 2013 the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2014 is paid no earlier than autumn 2018. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Annual Report of Nordea Bank AB (publ)), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2014 is decided during spring 2015, and a reservation of EUR7m excl. social costs was made in 2014 both in the Group and parent company. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals			
	Group		Parent company	
EURm	2014	2013	2014	2013
Opening balance	4	3	4	3
Deferred/earned during the year	2	2	2	2
TSR indexation during the year	1	1	1	1
Payments during the year[1]	-3	-2	-3	-2
Translation differences	0	0	0	0
Closing balance	**4**	**4**	**4**	**4**

[1] There have been no adjustments due to forfeitures in 2014.

Note 8 *Staff costs, cont.*

Average number of employees

	Group		Parent company	
	2014	2013	2014	2013
Full-time employees	7,258	8,252	6,712	7,697
Part-time employees	544	623	505	584
Total	**7,802**	**9,269**	**7,217**	**8,452**
Total number of employees (FTEs), end of period	6,653	7,981	6,130	7,440

Note 9 Other expenses

	Group		Parent company	
EURm	2014	2013	2014	2013
Information technology	-196	-180	-190	-186
Marketing and representation	-22	-28	-20	-26
Postage, transportation, telephone and office expenses	-38	-43	-33	-36
Rents, premises and real estate	-89	-88	-82	-90
Other	-88	-127	-85	-109
Total	**-433**	**-466**	**-410**	**-447**

Auditors' fees

	Group		Parent company	
EURm	2014	2013	2014	2013
KPMG				
Auditing assignments	-1	-1	-1	-1
Audit-related services	0	0	0	0
Tax advisory services	0	0	0	0
Other assignments	0	0	0	0
Total	**-1**	**-1**	**-1**	**-1**

Note 10 Depreciation, amortisation and impairment charges of tangible and intangible assets

	Group		Parent company	
EURm	2014	2013	2014	2013
Depreciation/amortisation				
Properties and equipment	-21	-21	-19	-15
Intangible assets (Note 21)	-15	-17	-13	-16
Total	**-36**	**-38**	**-32**	**-31**
Impairment charges / Reversed impairment charges				
Property and equipment	-	-	-	-
Intangible assets (Note 21)	-56	-2	-56	-2
Total	**-56**	**-2**	**-56**	**-2**
Total	**-92**	**-40**	**-88**	**-33**

Note 11 Net loan losses

	Group		Parent company	
EURm	2014	2013	2014	2013
Loan losses divided by class				
Realised loan losses	-2	-	-2	-
Allowances to cover realised loan losses	2	-	2	-
Recoveries on previous realised loan losses	0	-	0	-
Provisions	0	0	0	0
Reversals of previous provisions	22	0	22	0
Loans to credit institutions[1]	**22**	**0**	**22**	**0**
Realised loan losses	-114	-71	-77	-40
Allowances to cover realised loan losses	127	104	120	96
Recoveries on previous realised loan losses	28	24	9	8
Provisions	-223	-216	-213	-203
Reversals of previous provisions	101	103	86	93
Loans to the public[1]	**-81**	**-56**	**-75**	**-46**
Realised loan losses	-	-	-	-
Allowances to cover realised loan losses	-	-	-	-
Recoveries on previous realised loan losses	-	-	-	-
Provisions	-14	-8	-14	-8
Reversals of previous provisions	13	11	13	11
Off-balance sheet items[2]	**-1**	**3**	**-1**	**3**
Net loan losses	**-60**	**-53**	**-54**	**-43**

[1] see Note 13 Loans and impairment
[2] Included in Note 31 Provisions as "Transfer risk, off-balance" and "Individually assessed guarantees and other commitments".

Key ratios

	Group		Parent company	
	2014	2013	2014	2013
Loan loss ratio, basis points[3]	5	5	5	5
- of which individual	4	6	3	6
- of which collective	2	-1	2	-1

[3] Net loan losses (annualised) divided by opening balance of loans to the public (lending).

Nordea Bank AB (publ) has guaranteed part of NBF's corporate exposures and based on the agreement NBF's loan losses decreased EUR 66m in 2014 and EUR 83m in 2013.

Note 12 Taxes

Income tax expense

	Group		Parent company	
EURm	2014	2013	2014	2013
Current tax	-253	-285	-214	-239
Deferred tax	21	0	26	-4
Bank tax in Finland[1]				
Total	**-232**	**-285**	**-188**	**-243**

[1] The Finnish bank tax was introduced in 2013 and is based on risk weighted assets rather than income. This tax is not included in the current- and deferred tax disclosures in this Note.

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

Note 12 *Taxes, cont.*

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate of Finland as follows:

	Group		Parent company	
EURm	2014	2013	2014	2013
Profit before tax	1,134	1,113	1,009	1,023
Tax calculated at a tax rate of 20% (24,5)	-227	-273	-202	-251
Income from associated undertakings	-	-	-	-
Other direct taxes	0	0	-	-
Tax-exempt income	10	3	24	31
Non-deductible expenses	-20	-14	-15	-13
Adjustments relating to prior years	5	6	5	6
Change of tax rate	-	8	-	-1
Not creditable foreign taxes	-	-15	-	-15
Tax charge	**-232**	**-285**	**-188**	**-243**
Average effective tax rate	20%	26%	19%	24%

Group	Deferred tax assets		Deferred tax liabilities	
EURm	2014	2013	2014	2013
Deferred tax related to:				
Tax losses carry-forward	-	0	-	-
Loans to the public	20	18	57	53
Financial instruments	-	-2	11	-
Intangible assets	-	-	-	-
Properties and equipment	2	2	-	-
Investment property	-	-	-	-
Retirement benefit assets/obligations	21	-27	-	0
Hedge of net investments in foreign operations	-	-	-	-
Liabilities/provisions	11	14	-	0
Netting between deferred tax assets and liabilities	-11	-	-11	
Total	**43**	**5**	**57**	**53**

Parent company	Deferred tax assets		Deferred tax liabilities	
EURm	2014	2013	2014	2013
Deferred tax related to:				
Tax losses carry-forward	-	-	-	-
Loans to the public	18	16	-	-
Financial instruments	1	-2	11	-
Intangible assets	-	-	-	-
Properties and equipment	2	2	-	-
Investment property	-	-	-	-
Retirement benefit assets/obligations	21	-27	-	-
Liabilities/provisions	10	13	-	-
Netting between deferred tax assets and liabilities	-11	-	-11	-
Total	**41**	**2**	**0**	**-**

There were no unrecognised deferred tax assets in the Group nor in the parent company in 2014 or 2013.

There was no deferred tax relating to temporary differences associated with investments in group undertakings, associated undertakings and joint ventures.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the deferred tax income relates to the same fiscal authority.

Note 13 Loans and impairment

	Total			
	Group		Parent company	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loans, not impaired	148,254	148,377	147,107	147,523
Impaired loans	1,480	2,008	1,188	1,716
- performing	823	1,034	653	839
- non-performing	657	974	535	877
Loans before allowances	**149,734**	**150,385**	**148,295**	**149,239**
Allowances for individually assessed impaired loans	-516	-714	-464	-644
- performing	-323	-421	-274	-355
- non-performing	-193	-293	-190	-289
Allowances for collectively assessed impaired loans	-119	-125	-101	-107
Allowances	**-635**	**-839**	**-565**	**-751**
Loans, carrying amount	**149,099**	**149,546**	**147,730**	**148,488**

	Central banks and credit institutions			
	Group		Parent company	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loans, not impaired	35,351	35,768	41,091	41,221
Impaired loans	0	24	0	24
- performing	-	-	-	-
- non-performing	0	24	0	24
Loans before allowances	**35,351**	**35,792**	**41,091**	**41,245**
Allowances for individually assessed impaired loans	-	-25	-	-25
- performing	-	-	-	-
- non-performing	-	-25	-	-25
Allowances for collectively assessed impaired loans	0	0	0	0
Allowances	**0**	**-25**	**0**	**-25**
Loans, carrying amount	**35,351**	**35,767**	**41,091**	**41,220**

	The public[1]			
	Group		Parent company	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loans, not impaired	112,903	112,609	106,016	106,302
Impaired loans	1,480	1,984	1,188	1,692
- Performing	823	1,034	653	839
- Non-performing	657	950	535	853
Loans before allowances	**114,383**	**114,593**	**107,204**	**107,994**
Allowances for individually assessed impaired loans	-516	-689	-464	-619
- Performing	-323	-421	-274	-355
- Non-performing	-193	-268	-190	-264
Allowances for collectively assessed impaired loans	-119	-125	-101	-107
Allowances	**-635**	**-814**	**-565**	**-726**
Loans, carrying amount	**113,748**	**113,779**	**106,639**	**107,268**

[1] Finance leases, where the Nordea Group is a lessor, are included in Loans to the public, see Note 22 Leasing.

Movements of allowance accounts for impaired loans[2]

	Total					
	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2014	**-714**	**-125**	**-839**	**-644**	**-107**	**-751**
Provisions	-170	-53	-223	-163	-50	-213
Reversals	89	34	123	78	31	109
Changes through the income statement	**-81**	**-19**	**-100**	**-85**	**-19**	**-104**
Allowances used to cover write-offs	129	-	129	122	-	122
Translation differences	150	25	175	143	25	168
Closing balance at 31 Dec 2014	**-516**	**-119**	**-635**	**-464**	**-101**	**-565**
Opening balance at 1 Jan 2013	**-657**	**-178**	**-835**	**-579**	**-161**	**-740**
Provisions	-177	-39	-216	-167	-36	-203
Reversals	55	49	104	46	47	93
Changes through the income statement	**-122**	**10**	**-112**	**-121**	**11**	**-110**
Allowances used to cover write-offs	104	-	104	96	-	96
Translation differences	-39	43	4	-40	43	3
Closing balance at 31 Dec 2013	**-714**	**-125**	**-839**	**-644**	**-107**	**-751**

	Central banks and credit institutions					
	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2014	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals	23	0	23	23	0	23
Changes through the income statement	**23**	**0**	**23**	**23**	**0**	**23**
Allowances used to cover write-offs	2	-	2	2	-	2
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2014	**0**	**0**	**0**	**0**	**0**	**0**
Opening balance at 1 Jan 2013	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals	-	0	0	-	0	0
Changes through the income statement	-	**0**	**0**	-	**0**	**0**
Allowances used to cover write-offs	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2013	**-25**	**0**	**-25**	**-25**	**0**	**-25**

	The public					
	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2014	**-689**	**-125**	**-814**	**-619**	**-107**	**-726**
Provisions	-170	-53	-223	-163	-50	-213
Reversals	66	34	100	55	31	86
Changes through the income statement	**-104**	**-19**	**-123**	**-108**	**-19**	**-127**
Allowances used to cover write-offs	127	-	127	120	-	120
Translation differences	150	25	175	143	25	168
Closing balance at 31 Dec 2014	**-516**	**-119**	**-635**	**-464**	**-101**	**-565**
Opening balance at 1 Jan 2013	**-632**	**-178**	**-810**	**-554**	**-161**	**-715**
Provisions	-177	-39	-216	-167	-36	-203
Reversals	55	49	104	46	47	93
Changes through the income statement	**-122**	**10**	**-112**	**-121**	**11**	**-110**
Allowances used to cover write-offs	104	-	104	96	-	96
Translation differences	-39	43	4	-40	43	3
Closing balance at 31 Dec 2013	**-689**	**-125**	**-814**	**-619**	**-107**	**-726**

[2] See Note 11 Net loan losses

Note 13 *Loans and impairment, cont.*

Allowances and provisions

	Total			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Allowances for items in the balance sheet	-635	-839	-565	-751
Provisions for off balance sheet items	-31	-30	-31	-30
Total allowances and provisions	**-666**	**-869**	**-596**	**-781**

	Central banks and credit institutions			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Allowances for items in the balance sheet	0	-25	0	-25
Provisions for off balance sheet items	-7	-7	-7	-7
Total allowances and provisions	**-7**	**-32**	**-7**	**-32**

	The public			
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2012
Allowances for items in the balance sheet	-635	-814	-565	-726
Provisions for off balance sheet items	-24	-23	-24	-23
Total allowances and provisions	**-659**	**-837**	**-589**	**-749**

Key ratios

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2014	2013	2014	2013
Impairment rate, gross[3], basis points	99	133	80	115
Impairment rate, net[4], basis points	64	86	49	72
Total allowance rate[5], basis points	42	56	38	50
Allowances in relation to impaired loans[6], %	35	36	39	38
Total allowances in relation to impaired loans[7], %	43	42	48	44
Non-performing loans, not impaired[8], EURm	28	66	20	61

[3] Individually assessed impaired loans before allowances divided by total loans before allowances.
[4] Individually assessed impaired loans after allowances divided by total loans before allowances.
[5] Total allowances divided by total loans before allowances.
[6] Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.
[7] Total allowances divided by total impaired loans before allowances.
[8] Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Note 14 Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
State and sovereigns	13,991	8,672	13,991	8,672
Municipalities and other public bodies	165	146	165	146
Mortgage institutions	8,455	12,353	8,455	12,353
Other credit institutions	9,924	10,766	9,924	10,766
Corporates	1,388	1,881	1,388	1,881
Corporates, sub-investment grade	720	428	720	428
Other	-	0	-	0
Total	**34,643**	**34,246**	**34,643**	**34,246**

Note 15 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.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Interest-bearing securities	11,058	9,739	11,058	9,739
Total	**11,058**	**9,739**	**11,058**	**9,739**

For information on transferred assets and reverse repos, see Note 42.

Note 16 Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Shares	1,215	56	1,215	56
Shares taken over for protection of claims	-	-	-	-
Fund units, equity related	688	592	687	591
Fund units, interest related	15	32	15	32
Total	**1,918**	**680**	**1,917**	**679**
- of which Financial instruments pledged as collateral (Note 15)	-	-	-	-
Total	**1,918**	**680**	**1,917**	**679**

Note 17 Derivatives and hedge accounting

	Group			Parent company		
	Fair value		Total nom.	Fair value		Total nom.
31 Dec 2014, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	64,490	61,858	4,157,905	64,490	61,858	4,157,905
Futures and forwards	296	305	1,284,608	296	305	1,284,608
Options	15,532	13,691	478,828	15,532	13,691	478,828
Other	1	2	2,006	1	2	2,006
Total	**80,319**	**75,856**	**5,923,347**	**80,319**	**75,856**	**5,923,347**
Equity derivatives						
Equity swaps	294	307	14,444	294	307	14,444
Futures and forwards	16	9	956	16	9	956
Options	624	924	19,422	624	924	19,422
Total	**934**	**1,240**	**34,822**	**934**	**1,240**	**34,822**
Foreign exchange derivatives						
Currency and interest rate swaps	17,719	21,376	784,772	17,719	21,376	784,772
Currency forwards	2,026	891	74,720	2,026	891	74,720
Options	349	292	27,047	349	292	27,047
Total	**20,094**	**22,559**	**886,539**	**20,094**	**22,559**	**886,539**
Credit derivatives						
Credit default swaps (CDS)	2,864	2,860	92,083	2,864	2,860	92,083
Total rate of return swaps	-	-	-	-	-	-
Total	**2,864**	**2,860**	**92,083**	**2,864**	**2,860**	**92,083**
Commodity derivatives						
Swaps	62	38	253	62	38	253
Futures and forwards	-	-	169	-	-	169
Options	9	-19	369	9	-19	369
Other	-	-	-	-	-	-
Total	**71**	**19**	**791**	**71**	**19**	**791**
Other derivatives						
Options	18	17	564	18	17	564
Other	12	13	24	12	13	24
Total	**30**	**30**	**588**	**30**	**30**	**588**
Total derivatives held for trading	**104,312**	**102,564**	**6,938,170**	**104,312**	**102,564**	**6,938,170**
Derivatives used for hedge accounting						
Interest rate derivatives	883	311	34,936	883	311	34,936
Equity derivatives	-	-	-	-	-	-
Foreign exchange derivatives	59	1	250	59	1	250
Credit derivatives	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Total derivatives used for hedge accounting	**942**	**312**	**35,186**	**942**	**312**	**35,186**
- of which cash flow hedges	65	3	12,702[1]	65	3	12,702[1]
- of which fair value hedges	877	309	22,484[1]	877	309	22,484[1]
Total derivatives	**105,254**	**102,876**	**6,973,356**	**105,254**	**102,876**	**6,973,356**

[1] Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

Group

31 Dec 2014, EURm	<1 year	1-3 years	3-5 years	5-10 years	Over 10 years
Cash inflows (assets)	-	-	-	-	-
Cash outflows (liabilities)	-2,000	-3,758	-4,500	-2,366	69
Net cash flows	**-2,000**	**-3,758**	**-4,500**	**-2,366**	**69**

Note 17 *Derivatives and hedge accounting, cont.*

	Group			Parent company		
	Fair value		Total nom.	Fair value		Total nom.
31 Dec 2013, EURm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	48,067	44,566	3,950,077	48,067	44,566	3,950,077
Futures and forwards	203	211	1,156,307	203	211	1,156,307
Options	8,406	8,261	583,111	8,406	8,261	583,111
Total	**56,676**	**53,038**	**5,689,495**	**56,676**	**53,038**	**5,689,495**
Equity derivatives						
Equity swaps	425	232	10,887	425	232	10,887
Futures and forwards	7	5	912	7	5	912
Options	546	695	15,871	546	695	15,871
Total	**978**	**932**	**27,670**	**978**	**932**	**27,670**
Foreign exchange derivatives						
Currency and interest rate swaps	9,804	10,670	797,916	9,804	10,670	797,916
Currency forwards	473	515	91,719	473	515	91,719
Options	185	150	21,228	185	150	21,228
Total	**10,462**	**11,335**	**910,863**	**10,462**	**11,335**	**910,863**
Credit derivatives						
Credit default swaps	1,337	1,361	60,889	1,337	1,361	60,889
Total rate of return swaps	-	-	-	-	-	-
Total	**1,337**	**1,361**	**60,889**	**1,337**	**1,361**	**60,889**
Commodity derivatives						
Swaps	105	92	2,125	105	92	2,125
Futures and forwards	11	10	762	11	10	762
Options	28	11	1,048	28	11	1,048
Other	-	-	-	-	-	-
Total	**144**	**113**	**3,935**	**144**	**113**	**3,935**
Other derivatives						
Options	13	14	431	13	14	431
Other	15	13	32	15	13	32
Total	**28**	**27**	**463**	**28**	**27**	**463**
Total derivatives held for trading	**69,625**	**66,806**	**6,693,315**	**69,625**	**66,806**	**6,693,315**
Derivatives used for hedge accounting						
Interest rate derivatives	565	144	62,386	565	144	62,386
Foreign exchange derivatives	44	159	1,026	44	159	1,026
Total derivatives used for hedge accounting	**609**	**303**	**63,412**	**609**	**303**	**63,412**
- of which cash flow hedges	39	219	13,957[1]	39	219	13,957[1]
- of which fair value hedges	570	84	62,212[1]	570	84	62,212[1]
Total derivatives	**70,234**	**67,109**	**6,756,727**	**70,234**	**67,109**	**6,756,727**

[1] Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

Group

31 Dec 2013, EURm	<1 year	1-3 years	3-5 years	5-10 years	Over 10 years
Cash inflows (assets)	-	-	-	-	-
Cash outflows (liabilities)	2,569	3,663	3,724	3,829	69
Net cash flows	**2,569**	**3,663**	**3,724**	**3,829**	**69**

Note 18 Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Carrying amount at beginning of year	58	124	58	124
Changes during the year				
- Revaluation of hedged items	18	-66	18	-66
Carrying amount at end of year	**76**	**58**	**76**	**58**

Liabilities	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Carrying amount at beginning of year	369	637	369	637
Changes during the year				
- Revaluation of hedged items	404	-268	404	-268
Carrying amount at end of year	**773**	**369**	**773**	**369**

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.

Note 19 Investments in group undertakings

Parent company

	31 Dec	31 Dec
EURm	2014	2013
Acquisition value at beginning of year	376	373
Acquisitions during the year	4	7
Sales during the year	-55	-4
Translation differences	-1	0
Acquisition value at end of year	**324**	**376**
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-16	-
Translation differences	-	-
Accumulated impairment charges at end of year	**-16**	**-**
Total	**308**	**376**

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies.

Group

31 Dec 2014	Number of shares	Carrying amount 2014 EURm	Carrying amount 2013 EURm	Voting power of holding, %	Domicile	Business ID
Domestic						
Credit institutions						
Nordea Finance Finland Ltd	1,000,000	306	306	100.0	Helsinki	0112305-3
Financial institutions						
Tukirahoitus Oy[1]	672	7	7	100.0	Espoo	0677131-6
Real estate companies						
Kiinteistö Oy Tampereen Kirkkokatu 7[1]	280	50	50	100.0	Tampere	0819781-3
Kiinteistö Oy Levytie 6[1]	67	5	5	100.0	Helsinki	2557073-9
Kiinteistö Oy Tulppatie 7[1]	80	7	7	100.0	Helsinki	2557075-5
International						
Financial institutions						
Nordea Finance Polska S.A[2]	-	-	0	100.0	Warsaw	PL5861944082
Nordea Finance Estonia Ltd[1]	60,000	6	6	100.0	Tallinn	EE100212426
Nordea Finance Latvia Ltd[1]	1,100	4	4	100.0	Riga	LV40003348054
Nordea Finance Lithuania Ltd[1]	6,540	4	4	100.0	Vilnius	LT111667277
Nordea Securities Holding (U.K.) Ltd	49,010,000	2	2	100.0	London	01803666
Real estate companies						
Promano Est OÜ[2]	-	-	10	100.0	Tallinn	11681888
Promano Lit UAB[2]	-	-	10	100.0	Vilnius	302423219
SIA Promano Lat[2]	-	-	30	100.0	Riga	40103235197
SIA Realm[2]	-	-	10	100.0	Riga	50103278681

Other subsidiaries included in the consolidated financial statements; total assets of less than EUR 10m	Number of companies	Carrying amount of shares EURm	Total assets EURm
Real estate companies	7	11	19
Other companies	5	0	76

[1] Indirect holding through Nordea Finance Finland Ltd, a subsidiary of Nordea Bank Finland Plc.
[2] Sold in April 2014

The parent company of Nordea Bank Finland Plc is Nordea Bank AB (publ) domiciled in Stockholm, registration number 516406-0120. The Annual Report 2014 of Nordea Bank AB (publ) may be down-loaded on the Internet at www.nordea.com and is available from Nordea Group Investor Relations, SE 105 71 Stockholm, Sweden. The Annual Report 2014 of the Nordea Group is also available at branches of Nordea Bank Finland Plc.

Group

Special Purpose Entities (SPEs) – Consolidated

After the sale of the Baltic operations there are no consolidated SPEs in NBF. The consolidated value in 2013 was EUR 2m.

Note 20 Investments in associated undertakings

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Acquisition value at beginning of year	61	80	43	43
Acquisitions during the year	0	1	-	-
Sales during the year	-6	-	-6	-
Share in earnings	3	8	-	-
Dividend received	-17	-27	-	-
Reclassifications	-	-1	-	-
Translation differences	-	-	-	-
Acquisition value at end of year	**41**	**61**	**37**	**43**
Accumulated impairment charges at beginning of year	-2	-2	-9	-9
Reversed impairment charges during the year	-	-	-	-
Impairment charges during the year	-	-	-	-
Reclassifications	-	-	-	-
Translation differences	0	0	-	-
Accumulated impairment charges at end of year	**-2**	**-2**	**-9**	**-9**
Total	**39**	**59**	**28**	**34**

Nordea Bank Finland Plc's and Nordea Bank Finland Group's associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2014	31 Dec 2013
Total assets	173	242
Net profit	2	2
Other comprehensive income	0	0
Total comprehensive income	2	2

Nordea Bank Finland Plc's and Nordea Bank Finland Group' s share of contingent liabilities and commitments in favour of associated undertakings of Nordea Bank Finland Group amounts to EUR 32m (83), of which the unused portion of approved overdraft facilities is EUR 32m (63).

Group

31 Dec 2014	Business ID	Domicile	Carrying amount 2014, EURm	Carrying amount 2013, EURm	Voting power of holding %
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	7	8	33.3
Fenestra Oy[1]	0177676-7	Vantaa	0	0	9.9
NF Fleet Oy	2006935-5	Espoo	5	3	20.0
UAB ALD Automotive, Lithuania	300156575	Vilnius	2	1	25.0
ALD Automotive Eesti AS, Estonia	11094435	Tallin	1	1	25.0
ALD Automotive SIA, Latvia	50003825931	Riga	1	1	25.0
Oy Realinvest Ab	0680035-9	Helsinki	0	0	49.3
Realia Holding Oy	2106796-8	Helsinki	20	20	25.0
Securus Oy	0742429-5	Helsinki	0	0	35.2
Suomen Luotto-osuuskunta	0201646-0	Helsinki	3	25	27.3
Total			**39**	**59**	

[1] Nordea Bank Finland Plc holds currently convertible bonds which, if converted, would give Nordea Bank Finland significant influence over the entity.

Parent company

31 Dec 2014	Business ID	Domicile	Carrying amount 2014, EURm	Carrying amount 2013, EURm	Voting power of holding %
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	5	5	33.3
Fenestra Oy[1]	0177676-7	Vantaa	0	0	9.9
Realia Holding Oy	2106796-8	Helsinki	20	20	25.0
Oy Realinvest Ab	0680035-9	Helsinki	0	0	49.3
Securus Oy	0742429-5	Helsinki	0	0	35.2
Suomen Luotto-osuuskunta	0201646-0	Helsinki	3	9	27.3
Total			**28**	**34**	

[1] Nordea Bank Finland Plc holds currently convertible bonds which, if converted, would give Nordea Bank Finland significant influence over the entity.

Note 21 Intangible assets

	Group		Parent Company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Computer software	42	94	35	97
Other intangible assets, total	5	6	0	1
Total intangible assets	**47**	**100**	**35**	**98**

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2014	2013	2014	2013
Movements in computer software				
Acquisition value at beginning of year	166	156	171	163
Acquisitions during the year	20	11	10	9
Sales/disposals during the year	0	-	-2	-
Reclassifications	0	-1	3	-1
Translation differences	0	0	0	-
Acquisition value at end of year	**186**	**166**	**182**	**171**
Accumulated amortisation at beginning of year	-64	-50	-66	-52
Amortisation according to plan for the year	-14	-15	-13	-15
Accumulated amortisation on sales/disposals during the year	-	-	1	-
Reclassifications	-1	1	-4	1
Translation differences	-	0	0	-
Accumulated amortisation at end of year	**-79**	**-64**	**-82**	**-66**
Accumulated impairment charges at beginning of year	-8	-6	-8	-6
Impairment charges during the year	-57	-2	-57	-2
Accumulated impairment charges at end of year	**-65**	**-8**	**-65**	**-8**
Total	**42**	**94**	**35**	**97**

Note 22 Leasing

NBF as a lessor

Finance leases
Nordea Bank Finland Group 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 13) 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:

	Group	
	31 Dec	31 Dec
EURm	2014	2013
Gross investments	2,509	2,596
Less unearned finance income	-124	-139
Net investments in finance leases	**2,385**	**2,457**
Less unguaranteed residual values accruing to the benefit of the lessor	-22	-73
Present value of future minimum lease payments receivable	**2,363**	**2,384**
Accumulated allowance for uncollectible minimum lease payments receivable	8	10

As of 31 December 2014 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group	
	31 Dec 2014	31 Dec 2014
EURm	Gross investment	Net investment
2015	951	890
2016	584	553
2017	486	468
2018	280	271
2019	153	150
Later years	54	53
Total	**2,508**	**2,385**

Operating leases
Assets subject to operating leases mainly comprise vehicles and other equipment. On the balance sheet they are reported as tangible assets.

Under non-cancellable operating leases, the future minimum lease payments receivables are distributed as follows:

	Group
EURm	31 Dec 2014
2015	1
2016	1
2017	0
2018	0
2019	0
Later years	0
Total	**2**

NBF as a lessee

Finance leases

Nordea Bank Finland Group has only to a minor extent entered into finance lease agreements. The carrying amount of assets subject to finance leases amounts to EUR 0m (0).

Operating leases

Nordea Bank Finland Group has entered into operating lease agreements for premises and office equipment.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
Leasing expenses during the year, EURm	2014	2013	2014	2013
Leasing expenses during the year	-65	-66	-63	-69
- of which minimum lease payments	-62	-65	-63	-69
- of which contingent rents	-1	-1	-	-
Leasing income during the year regarding sublease payments	-	-	-	-

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

	Group	Parent company
EURm	31 Dec 2014	31 Dec 2014
2015	55	51
2016	40	37
2017	27	27
2018	23	23
2019	18	18
Later years	93	93
Total	**256**	**249**

Note 23 Investment properties

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Carrying amount at beginning of year	113	104	8	10
Acquisitions during the year	1	29	0	2
Sales/disposals during the year	-112	-20	-6	-4
Net result from fair value adjustments	0	0	-	-
Carrying amount at end of year	**2**	**113**	**2**	**8**

Amounts recognised in the income statement[1]

EURm	2014	2013	2014	2013
Rental income	1	1	1	1
Direct operating expenses that generate rental income	-4	-3	-4	-3

[1]Together with fair value adjustments included in Net result from items at fair value.

Market value	2	113	2	8

For further information regarding investment properties, see Note 40.

Note 24 Other assets

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Claims on securities settlement proceeds	980	906	980	905
Cash/ margin receivables	12,978	6,607	12,978	6,607
Other	666	764	628	721
Total	**14,624**	**8,277**	**14,586**	**8,233**

Note 25 Prepaid expenses and accrued income

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Accrued interest income	113	313	105	308
Other accrued income	319	248	146	69
Prepaid expenses	8	11	8	9
Total	**440**	**572**	**259**	**386**

Note 26 Deposits by credit institutions

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Central banks	10,139	5,780	10,139	5,780
Banks	68,212	60,908	67,970	60,796
Other credit institutions	9,017	12,738	9,020	12,739
Total	**87,368**	**79,426**	**87,128**	**79,315**

Note 27 Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Deposits	52,593	53,983	52,587	53,992
Repurchase agreements	24,286	26,926	24,286	26,916
Total	**76,879**	**80,909**	**76,873**	**80,908**

Note 28 Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Certificates of deposit	22,871	16,408	22,871	16,408
Commercial papers	887	7,122	887	7,122
Covered bonds	16,212	15,473	16,212	15,473
Other bonds	8,502	8,127	8,502	8,127
Total	**48,472**	**47,130**	**48,472**	**47,130**

Note 29 Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Liabilities on securities settlement proceeds	631	665	631	665
Sold, not held, securities	6,273	10,405	6,273	10,405
Accounts payable	37	60	31	40
Cash/margin payables	10,061	5,872	10,061	5,872
Other	1,575	1,853	1,374	1,705
Total	**18,577**	**18,855**	**18,370**	**18,687**

Note 30 Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Accrued interest	10	303	10	303
Other accrued expenses	611	413	502	302
Prepaid income	183	150	99	63
Total	**804**	**866**	**611**	**668**

Note 31 Provisions

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Reserve for restructuring costs	45	26	44	26
Transfer risks, off-balance	8	9	8	9
Individually assessed guarantees and other commitments	23	21	23	21
Tax	0	1	-	-
Other	9	15	7	11
Total	**85**	**72**	82	**67**

Group

EURm	Restructuring	Transfer risks	Guarantees/ commitments	Tax	Other	Total
At the beginning of year	26	9	21	1	15	72
New provisions made	39	3	11	-	0	53
Provisions utilised	-18	-	-	-	-1	-19
Reversals	-2	-4	-9	-1	-4	-20
Reclassifications	-	-	-	-	-	-
Translation differences	-	-	-	-	-1	-1
At the end of year	**45**	**8**	**23**	**0**	**9**	**85**

Provisions for restructuring costs amounts to EUR 45m and covers termination benefits (EUR 43m) and other provisions mainly related to redundant premises (EUR2m). The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this Nordea plans to reduce the number of employees, partly through close down of branches. The majority of the provision is expected to be used during 2015-2016. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Provision for Transfer risk of EUR 8m 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 13. 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 23m.

Other provisions (EUR 9m) refer to the following provisions: Legal Disputes of EUR 4m, provision for environmental and property-related obligations of EUR 3m and other provisions amounting to EUR 2m (EUR 9m expected to be settled in 2015).

Parent company

EURm	Restructuring	Transfer risks	Guarantees/ commitments	Other	Total
At beginning of year	26	9	21	11	67
New provisions made	38	3	11	-	52
Provisions utilised	-18	-	-	-	-18
Reversals	-2	-4	-9	-4	-19
Translation differences	-	-	-	-	-
At the end of year	**44**	**8**	**23**	**7**	**82**

Provisions for restructuring costs amounts to EUR 44m and covers termination benefits (EUR 42m) and other provisions mainly related to redundant premises (EUR 2m). The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this Nordea plans to reduce the number of employees, partly through close down of branches. The majority of the provision is expected to be used during 2015-2016. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Provision for Transfer risk of EUR 8m 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 13. 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 23m.

Other provisions refer (EUR 7m) to the following provisions: Legal Disputes of EUR 4m and provision for environmental and property-related obligations of EUR 3m (EUR 7m expected to be settled in 2015).

Note 32 Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Defined benefit plans, net	-2	-112	0	-111
Total	**-2**	**-112**	**0**	**-111**

NBF has various pension plans, which are classified both as defined benefit plans as well as defined contribution plans. IAS 19 secures that the pension obligations net of plan assets backing these obligations is reflected on the Group's balance sheet. The defined benefit plans in Finland are closed to new employees and instead, pensions for new employees are based on defined contribution (DCP) arrangements. The plans for the foreign branches are also mainly defined contribution plans. The existing defined benefit plans in London and New York are closed to new employees. Defined contribution plans are not reflected on the balance sheet except when earned pension rights have not yet been paid for.

The pension plans are structured in accordance with local regulations, legislations and local practice. Plan assets are generally held in a separate pension fund or foundation. Minimum funding requirement differ between plans but generally the pension obligation measured using local requirements shall be covered in full or with a predetermined surplus.

Characteristics of the Nordea Pension Foundation

The most significant of the Finnish plans is the Nordea Pension Foundation. Nordea Pension Foundation plan is a final salary and service based pension plan providing pension benefits on top of the statutory systems. The employer has promised a certain level of benefit after retirement to a certain group of employees within the plan. Plan's operation is managed by the Board of Members. The board consists of both employers' and employee's representatives. The Board of Members has named a managing director to take care of regular operations in the foundation.

The plan exposes the employer to certain risks. If the return of foundation's assets is not enough to cover the increment of liability and benefit payments over the financial year then the employer funds the deficit with contributions. The present value of the defined benefit liability is calculated using a discount rate determined by reference to high quality bond yields. A decrease in the corporate bond yields increases the liabilities along with increment of plan's benefit obligation calculated according to IAS 19. However, part of increment of obligation is offset by asset increment along with the increment of plan's bond holdings. Asset volatility may also impact NBF although basically the distribution of assets to different asset classes is strictly dictated by authorities so significant concentration risk cannot be borne. The plan's benefits in payment are tied to TyEL-index which depends on inflation (80 %) and common salary index (20 %). Higher inflation increases the TyEL-index which leads to an increase in liabilities. Higher inflation causes extra challenges to investment activities from which the employer in the last resort is responsible. The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan's liability.

After having the necessary approval from the Finnish FSA, Nordea Pension Foundation will return the excess cover capital to the members of the Pension Foundation. The estimated amount is totally EUR 21m, of which the major part belongs to NBF Group companies. The amount has been taken into account when preparing the actuarial calculations for the year 2014.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on the actuarial assumptions.

Assumptions[1]	Finland
2014	
Discount rate[2]	2.0%
Salary increase	2.0%
Inflation	1.5%
Mortality	Compertz
Increase in income base amount	1,9%
2013	
Discount rate[2]	3.5%
Salary increase	2.5%
Inflation	1.5%
Mortality	Compertz
Increase in income base amount	1.9%

[1] The assumptions disclosed for 2014 have an impact on the liability calculation by year-end 2014, while the assumptions disclosed for 2013 are used for calculating the pension expense in 2014.

[2] More information on the discount rate can be found in Note 1, section 19. The sensitivities to changes in the discount rate can be found below.

Sensitivities - Impact on Defined Benefit Obligation (DBO)	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Discount rate - Increase 50bps	-7.2%	-6.3%	-7.1%	-6.3%
Discount rate - Decrease 50bps	8.1%	7.1%	8.1%	7.1%
Salary increase - Increase 50bps	0.4%	0.3%	0.4%	0.3%
Salary increase - Decrease 50bps	-0.4%	-0.3%	-0.4%	-0.3%
Inflation - Increase 50bps	4.7%	4.3%	4.6%	4.2%
Inflation - Decrease 50bps	-4.3%	-4.0%	-4.3%	-3.9%
Mortality - Increase 1 year	3.7%	2.9%	3.7%	2.9%
Mortality - Decrease 1 year	-3.6%	-	-3.6%	-

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements.

Compared with the 2013 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

Net retirement benefit liabilities/assets

EURm	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Obligations	948	788	934	776
Plan assets	946	900	934	887
Net liability(-)/asset (+)	**-2**	**112**	**0**	**111**
- of which retirement benefit liabilities	28	21	25	20
- of which retirement benefit assets	25	133	25	132

Movements in the obligation

EURm	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Opening balance	788	863	776	839
Current service cost	2	3	2	2
Interest cost	27	29	27	29
Pensions paid	-42	-41	-42	-41
Past service cost	0	1	0	1
Settlements	0	-4	0	-4
Business combinations	-	-	-	12
Remeasurement from changes in demographic assumptions	28	-1	28	-1
Remeasurement from changes in financial assumptions	145	-46	142	-45
Remeasurement from experience adjustments	-8	-14	-7	-14
Translation differences	8	-2	8	-2
Closing balance	**948**	**788**	**934**	**776**

The average duration of the obligation is 14 years both in the Group and the parent company. The duration is based on discounted cash flows. The fact that the main part of the defined benefit plans are closed for new entrants leads to a lower duration.

Movements in the fair value of plan assets

	Group		Parent company	
EURm	2014	2013	2014	2013
Opening balance	900	893	887	873
Interest income (calculated using the discount rate)	31	30	31	30
Pensions paid	-42	-41	-42	-41
Settlements	0	-1	0	-1
Business combinations	-	-	-	8
Contributions by employer	-14	10	-13	10
Remeasurement (actual return less interest income)	63	11	63	10
Administrative expenses	0	0	0	0
Translation differences	8	-2	8	-2
Closing balance	**946**	**900**	**934**	**887**

Asset composition
The combined return on assets in 2014 was 10% (5). The asset return was driven particularly by strong return on long dated sovereign bonds. Other assets including equity investments, real estate and credit investments also contributed positively. At the end of the year, the equity exposure in pension foundation represented 28% (27) of total assets.

Asset composition in funded schemes	2014	2013
Bonds	59%	57%
- sovereign	75%	36%
- covered bonds	-	5%
- corporate bonds	23%	16%
- issued by Nordea entities	-	0%
- with quoted market price in an active market	100%	57%
Equity	28%	27%
- domestic	33%	9%
- European	27%	8%
- US	26%	6%
- emerging	14%	4%
- with quoted market price in an active market	100%	27%
Real Estate	10%	13%
- occupied by Nordea	28%	4%
Cash and cash equivalents	3%	3%

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

Both the Group and the parent company is expected to contribute EUR 7m to its defined benefit plans in 2015.

Defined benefit pension cost
The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year 2014 is EUR 1m positive (0m). In the parent company's income statement the respective cost was EUR 1m positive (1) in 2014.

Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans. (See specification in Note 8.)

	Group		Parent company	
Recognised in the income statement, EURm	2014	2013	2014	2013
Current service cost	3	2	2	2
Net interest	-4	-1	-3	-1
Past service cost	0	1	0	1
Settlements	0	-3	0	-3
Administrative expenses	0	0	0	0
Pension cost on defined benefit plans	**-1**	**0**	**-1**	**-1**

The pension cost is in line with what was expected at the start of the year.

Note 32 *Retirement benefit obligations, cont.*

Recognised in other comprehensive income, EURm	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Remeasurement from changes in demographic assumptions	28	-1	28	-1
Remeasurement from changes in financial assumptions	145	-46	142	-45
Remeasurement from experience adjustments	-8	-14	-7	-14
Remeasurement of plan assets (actual return less interest income)	-63	-11	-63	-10
Pension cost on defined benefit plans (expense+, income-)	**102**	**-72**	**100**	**-70**

Net retirement benefit asset//liability	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Opening balance	-112	-30	-111	-34
Pension cost in the income statement	-1	0	-1	-1
Remeasurements in other comprehensive income	102	-72	100	-70
Business combinations	-	-	-	4
Pensions paid	0	0	0	0
Contributions by employer	13	-10	13	-10
Translation differences	0	0	0	0
Closing balance	**2**	**-112**	**1**	**-111**

Key management personnel
The members of the Board of Directors of Nordea Bank Finland Plc and the President, are members of the Nordea Bank AB (publ) Group Executive Management, except for the one external member Carl-Johan Granvik. In 2013 Nordea Bank AB (publ) has paid all salaries, fees, pensions and other staff-related expenses to the above mentioned other members of the Board and the President. Nordea Bank AB (publ) has allocated these salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation expenses.

Information on salaries, loans and pension liabilities regarding the above mentioned other members of the Board and the President is presented in the Annual Report of Nordea Bank AB (publ).

Note 33 Subordinated liabilities

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Dated subordinated debenture loans	-	-	-	-
Undated subordinated debenture loans	70	429	70	429
Hybrid capital loans	550	-	550	-
Total	**620**	**429**	**620**	**429**

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.

Group and parent company

On 31 December 2014 loans - with terms specified below - exceeded 10% of the total outstanding volume.

Issued by	Year of issue / maturity	Nominal value	Carrying amount EURm	Interest rate (coupon)
Nordea Bank Finland Plc [1]	1999/undated	MJPY 10,000	70	4,21 %
Nordea Bank Finland Plc [2]	2014/30 Sep 2019	MEUR 550	550	Floating 3-month EURIBOR +4.34 %

[1] Call date 26 February 2029
[2] Call date 30 February 2019

Note 34 Assets pledged as security for own liabilities

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Assets pledged for own liabilities				
Securities etc.[1]	11,058	9,739	11,058	9,739
Loans to the public	19,800	18,803	19,800	18,803
Other pledged assets	12,568	6,519	12,568	6,514
Total	**43,426**	**35,061**	**43,426**	**35,056**
The above pledges pertain to the following liabilities				
Deposits by credit institutions	6,399	3,210	6,399	3,209
Deposits and borrowings from the public	4,659	6,530	4,659	6,530
Derivatives	12,314	6,307	12,314	6,307
Debt securities in issue	16,212	15,473	16,212	15,473
Other liabilities and commitments	0	195	0	195
Total	**39,584**	**31,715**	**39,584**	**31,714**

[1] Relates only to securities recognised on the balance sheet. Securities borrowed or bought under repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note 42 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.

Loans to the public amounting to EUR 19,800m (18,803) have been registered as collateral for issued Finnish covered bonds amounting to EUR 16,212m (15,473). In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral. Collaterals are valuated up to the first 70% of the market value of the property. Nordea Bank has used Realia Oy, Newsec Oy, Huoneistokeskus Oy, Kiinteistömaailma Oy and Catella Oy to valuate commercial real estate collaterals.

Note 35 Other assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 5,000m (2,876). The terms and conditions require day to day securities and relate to liquidity intraday/overnight. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

Note 36 Contingent liabilities

EURm	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Guarantees				
Loan guarantees	1,350	1,686	1,538	1,917
Other guarantees	11,933	12,637	11,941	12,637
Documentary credits	1,603	1,493	1,603	1,493
Other contingent liabilities	20	20	20	20
Total	**14,906**	**15,836**	**15,102**	**16,067**

In the normal business of Nordea Bank Finland, the bank issues various forms of guarantees in favour of 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.

Note 37 Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Unutilised overdraft facilities	7,760	8,301	7,784	8,302
Loan commitments	8,261	7,581	5,513	5,120
Future payment obligations	3	7	3	7
Other commitments	766	714	449	319
Total	**16,790**	**16,603**	**13,749**	**13,748**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2014 signed reverse repurchase agreements of EUR 26,849m (11,335) that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2014. These instruments have not been disclosed as commitments.

Note 38 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 III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the CRD.

Common Equity Tier 1 capital and Tier 1 capital

Common Equity Tier (CET) 1 capital is defined as eligible capital including eligible reserves, net of regulatory required deductions made directly to CET1 capital. The capital recognised as CET 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 the sum of CET1 capital and Additional Tier 1 (AT1) capital where AT1 capital is the total of instruments (hybrids) issued by the bank that meet the transitional regulatory criteria and not included in the CET1 net after AT1 deductions. All AT1 capital instruments are 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 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 not included. Positive income from current year is included as eligible capital after verification by the external auditors, however negative income must be deducted.

Additional Tier 1 instruments

The inclusion of undated subordinated loans in additional 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 NBF and with the permission of the Supervisory Authority. Furthermore, there are restrictions related to step-up conditions, order of priority, and interest payments under constraint conditions. Additional Tier 1 instruments issued that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

For the additional Tier 1 instruments, 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 additional Tier 1 instruments (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-à-vis depositors and other bank creditors.

Tier 2 instruments

Tier 2 instruments consists mainly of subordinated debt. Tier 2 instruments includes two different types of subordinated loan capital; undated loans and dated loans. Tier 2 instruments issued that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The basic principle for subordinated debt in own funds 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.

table A2 Transitional own funds

	Group Common Equity Tier 1 capital: instruments and reserves, EURm	(A) amount at disclosure date	(C) amounts subject to pre-regulation (EU) no 575/2013 treatment or prescribed residual amount of regulation (EU) no 575/2013
1	Capital instruments and the related share premium accounts	2,918	
	of which: Share capital	2,319	
2	Retained earnings	5,831	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-33	
5	Minority Interests (amount allowed in consolidated CET1)	0	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	452	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	9,168	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-210	
8	Intangible assets (net of related tax liability) (negative amount)	-47	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	
11	Fair value reserves related to gains or losses on cash flow hedges	2	
12	Negative amounts resulting from the calculation of expected loss amounts	-237	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	6	
15	Defined-benefit pension fund assets (negative amount)	-16	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-213	
	Of which: …filter for unrealised loss 1	0	1
	Of which: …filter for unrealised gain 1	-213	
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	-714	
29	**Common Equity Tier 1 (CET1) capital**	8,454	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	550	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	550	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	
44	**Additional Tier 1 (AT1) capital**	550	
45	**Tier 1 capital (T1 = CET1 + AT1)**	9,004	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	69	
51	**Tier 2 (T2) capital before regulatory adjustments**	69	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	
58	**Tier 2 (T2) capital**	69	
59	**Total capital (TC = T1 + T2)**	9,073	
60	**Total risk weighted assets**	50,499	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.7%	
62	Tier 1 (as a percentage of risk exposure amount)	17.8%	
63	Total capital (as a percentage of risk exposure amount)	18.0%	

64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	0.0%	
65	of which: capital conservation buffer requirement	0.0%	
66	of which: countercyclical buffer requirement	0.0%	
67	of which: systemic risk buffer requirement	0.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.0%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	192	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	5	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	41	
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	27,495	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	165	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
84	Current cap on T2 instruments subject to phase out arrangements	364	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

	Parent company Common Equity Tier 1 capital: instruments and reserves, EURm	(A) amount at disclosure date	(C) amounts subject to pre-regulation (EU) no 575/2013 treatment or prescribed residual amount of regulation (EU) no 575/2013
1	Capital instruments and the related share premium accounts	2,918	
	of which: Share capital	2,319	
2	Retained earnings	5,293	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-22	
5	Minority Interests (amount allowed in consolidated CET1)	0	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	371	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	8,560	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-210	
8	Intangible assets (net of related tax liability) (negative amount)	-35	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	
11	Fair value reserves related to gains or losses on cash flow hedges	2	
12	Negative amounts resulting from the calculation of expected loss amounts	-188	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	6	
15	Defined-benefit pension fund assets (negative amount)	-16	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	

26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-213
	Of which: …filter for unrealised loss 1	0
	Of which: …filter for unrealised gain 1	-213
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	-654
29	**Common Equity Tier 1 (CET1) capital**	7,906
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	550
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	550
Additional Tier 1 (AT1) capital: regulatory adjustments		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0
44	**Additional Tier 1 (AT1) capital**	550
45	**Tier 1 capital (T1 = CET1 + AT1)**	8,456
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	0
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	69
51	**Tier 2 (T2) capital before regulatory adjustments**	69
Tier 2 (T2) capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0
58	**Tier 2 (T2) capital**	69
59	**Total capital (TC = T1 + T2)**	8,525
60	**Total risk weighted assets**	45,955
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.2%
62	Tier 1 (as a percentage of risk exposure amount)	18.4%
63	Total capital (as a percentage of risk exposure amount)	18.6%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	0.0%
65	of which: capital conservation buffer requirement	0.0%
66	of which: countercyclical buffer requirement	0.0%
67	of which: systemic risk buffer requirement	0.0%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.6%
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	192
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	41
Applicable caps on the inclusion of provisions in Tier 2		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	24,486
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	147
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)		
84	Current cap on T2 instruments subject to phase out arrangements	364
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0

Minimun capital requirement and REA

Group

EURm	31 Dec 2014 Minimun capital requirement	31 Dec 2014 REA	31 Dec 2013 Minimun capital requirement	31 Dec 2013 REA
Credit risk	**3,059**	**38,231**	**3,163**	**39,543**
- of which counterparty credit risk	663	8,285	362	4,520
IRB	2,200	27,496	1,827	22,837
- of which corporate	1,358	16,976	1,217	15,217
- of which advanced	*488*	*6,103*		
- of which foundation	*870*	*10,873*	*1,217*	*15,217*
- of which institutions	358	4,465	279	3,490
- of which retail	465	5,816	313	3,910
- of which secured by immovable property collateral	*184*	*2,300*	*222*	*2,769*
- of which other retail	*281*	*3,516*	*91*	*1,140*
- of which other	19	239	18	220
Standardised	859	10,735	1,336	16,706
- of which central governments or central banks	17	208	8	103
- of which regional governments or local authorities	14	170	10	122
- of which public sector entities	2	20	3	32
- of which multilateral development banks				
- of which international organisations				
- of which institutions	692	8,663	848	10,596
- of which corporate	79	995	92	1,153
- of which retail	32	395	244	3,045
- of which secured by mortgages on immovable property			74	931
- of which in default	1	13	27	333
- of which associated with particularly high risk				
- of which covered bonds	12	145	17	211
- of which institutions and corporates with a short-term credit assessment				
- of which collective investments undertakings (CIU)				
- of which equity	4	54	6	72
- of which other items	6	72	9	108
Credit Value Adjustment Risk	**172**	**2,153**		
Market risk	**443**	**5,536**	**644**	**8,048**
- of which trading book, Internal Approach	298	3,720	421	5,262
- of which trading book, Standardised Approach	135	1,690	208	2,595
- of which banking book, Standardised Approach	10	126	15	191
Operational risk	**366**	**4,579**	**405**	**5,060**
Standardised	366	4,579	405	5,060
Sub total	**4,040**	**50,499**	**4,212**	**52,652**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	862	10,776	274	3,425
Total	**4,902**	**61,275**	**4,486**	**56,077**

Minimun capital requirement and REA

Parent company

	31 Dec 2014		31 Dec 2013	
EURm	Minimun capital requirement	REA	Minimun capital requirement	REA
Credit risk	**2,737**	**34,223**	**2,805**	**35,064**
- of which counterparty credit risk	663	8,285	362	4,520
IRB	1,959	24,486	1,717	21,463
- of which corporate	1,248	15,599	1,112	13,897
- of which advanced	*489*	*6,115*		
- of which foundation	*759*	*9,484*	*1,112*	*13,897*
- of which institutions	356	4,457	279	3,488
- of which retail	337	4,215	313	3,910
- of which secured by immovable property collateral	*184*	*2,300*	*222*	*2,769*
- of which other retail	*153*	*1,916*	*91*	*1,140*
- of which other	17	215	13	168
Standardised	779	9,736	1,088	13,600
- of which central governments or central banks	16	205	8	103
- of which regional governments or local authorities	14	170	10	121
- of which public sector entities	2	20	3	32
- of which multilateral development banks				
- of which international organisations				
- of which institutions	700	8,742	849	10,608
- of which corporate	1	8	27	335
- of which retail	4	56	52	646
- of which secured by mortgages on immovable property			74	931
- of which in default	0	1	15	191
- of which associated with particularly high risk				
- of which covered bonds	10	122	17	211
- of which institutions and corporates with a short-term credit assessment				
- of which collective investments undertakings (CIU)				
- of which equity	27	343	34	424
- of which other items	5	69		
Credit Value Adjustment Risk	**172**	**2,153**		
Market risk	**443**	**5,534**	**644**	**8,048**
- of which trading book, Internal Approach	298	3,720	421	5,262
- of which trading book, Standardised Approach	135	1,691	208	2,595
- of which banking book, Standardised Approach	10	123	15	191
Operational risk	**324**	**4,045**	**365**	**4,557**
Standardised	324	4,045	365	4,557
Sub total	**3,676**	**45,955**	**3,814**	**47,669**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	704	8,807	222	2,781
Total	**4,380**	**54,762**	**4,036**	**50,451**

Nordea Bank AB (publ) has in December 2012 issued a guarantee in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees part of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The net effect of the guarantee in REA in Nordea Bank Finland Plc was EUR -3,7bn as end of 2014 (-7.6).

Leverage ratio[1]

	Group	Parent company
	31 Dec 2014	31 Dec 2014
Tier 1 capital, transitional definition, EURm[2]	9,004	8,456
Leverage ratio exposure, EURm	269,431	268,340
Leverage ratio, percentage	3.3	3.2

[1] Leverage ratio and volumes presented is based on three month average according to Supervisory Authority reporting process.
[2] Including profit of the period

Capital requirements for market risk, 31 December 2014

Group and parent company

	Trading book, IM		Trading book, SA		Banking book, SA[2]		Total	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk[1]	949	76	1,387	111			2,336	187
Equity risk	267	21	291	23			558	45
Foreign exchange risk	325	26			126	10	451	36
Commodity risk			12	1			12	1
Settlement risk			0	0	0	0	0	0
Diversification effect	-630	-50					-630	-50
Stressed Value-at-Risk	1,702	136					1,702	136
Incremental Risk Measure	638	51					638	51
Comprehensive Risk Measure	468	37					468	37
Total	**3,720**	**298**	**1,690**	**135**	**126**	**10**	**5,536**	**443**

[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.
[2] Of which the parent company EUR 123m in respect of Foreign exchange risk

The main features of the capital instruments issued by NBF are presented on the internet www.nordea.com/investor relations.

Specification over group undertakings consolidated in the Nordea Bank Finland Group

31 Dec 2014	Number of shares	Carrying amount EURm	Voting power of holding, %	Domicile	Consolidation method
Group undertakings included in the NBF Group					
Nordea Finance Finland Ltd	1,000,000	306	100	Helsinki	purchase method
Other companies		2			
Total included in the capital base		**308**			

Note 39 Classification of financial instruments

Group

31 Dec 2014, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	28,846	-	-	-	-	-	-	28,846
Loans to central banks	18	-	282	-	-	-	-	300
Loans to credit institutions	29,565	-	5,486	-	-	-	-	35,051
Loans to the public	68,971	-	44,777	-	-	-	-	113,748
Interest-bearing securities	-	66	22,772	-	-	11,805	-	34,643
Financial instruments pledged as collateral	-	-	11,058	-	-	-	-	11,058
Shares	-	-	1,911	7	-	-	-	1,918
Derivatives	-	-	104,312	-	942	-	-	105,254
Fair value changes of the hedged items in portfolio hedge of interest rate risk	76	-	-	-	-	-	-	76
Investments in associated undertakings	-	-	-	-	-	-	39	39
Intangible assets	-	-	-	-	-	-	47	47
Property and equipment	-	-	-	-	-	-	84	84
Investment property	-	-	-	-	-	-	2	2
Deferred tax assets	-	-	-	-	-	-	43	43
Current tax assets	-	-	-	-	-	-	0	0
Retirement benefit assets	-	-	-	-	-	-	25	25
Other assets	1,337	-	-	12,977	-	-	310	14,624
Prepaid expenses and accrued income	121	-	-	-	-	-	319	440
Total	**128,934**	**66**	**190,598**	**12,984**	**942**	**11,805**	**869**	**346,198**

31 Dec 2014, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	26,194	-	-	61,174	-	87,368
Deposits and borrowings from the public	24,286	-	-	52,593	-	76,879
Debt securities in issue	8,502	-	-	39,970	-	48,472
Derivatives	102,564	-	312	-	-	102,876
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	773	-	773
Current tax liabilities	-	-	-	-	41	41
Other liabilities	6,273	10,061	-	2,034	209	18,577
Accrued expenses and prepaid income	-	-	-	193	611	804
Deferred tax liabilities	-	-	-	-	57	57
Provisions	-	-	-	-	85	85
Retirement benefit liabilities	-	-	-	-	28	28
Subordinated liabilities	-	-	-	620	-	620
Total	**167,819**	**10,061**	**312**	**157,357**	**1,031**	**336,580**

Note 39 *Classification of financial instruments, cont.*

Group

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	30,904	-	-	-	-	-	-	30,904
Loans to central banks	94	-	563	-	-	-	-	657
Loans to credit institutions	28,542	-	6,568	-	-	-	-	35,110
Loans to the public	73,603	-	40,176	-	-	-	-	113,779
Interest-bearing securities	-	2,166	21,322	-	-	10,758	-	34,246
Financial instruments pledged as collateral	-	-	9,739	-	-	-	-	9,739
Shares	-	-	665	15	-	-	-	680
Derivatives	-	-	69,625	-	609	-	-	70,234
Fair value changes of the hedged items in portfolio hedge of interest rate risk	58	-	-	-	-	-	-	58
Investments in associated undertakings	-	-	-	-	-	-	59	59
Intangible assets	-	-	-	-	-	-	100	100
Property and equipment	-	-	-	-	-	-	94	94
Investment property	-	-	-	-	-	-	113	113
Deferred tax assets	-	-	-	-	-	-	5	5
Current tax assets	-	-	-	-	-	-	1	1
Retirement benefit assets	-	-	-	-	-	-	133	133
Other assets	1,410	-	-	6,606	-	-	261	8,277
Prepaid expenses and accrued income	324	-	-	-	-	-	248	572
Total	**134,935**	**2,166**	**148,658**	**6,621**	**609**	**10,758**	**1,014**	**304,761**

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	22,333	-	-	57,093	-	79,426
Deposits and borrowings from the public	26,924	-	-	53,985	-	80,909
Debt securities in issue	8,119	-	-	39,011	-	47,130
Derivatives	66,806	-	303	-	-	67,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	369	-	369
Current tax liabilities	-	-	-	-	8	8
Other liabilities	10,405	5,871	-	2,240	339	18,855
Accrued expenses and prepaid income	-	-	-	453	413	866
Deferred tax liabilities	-	-	-	-	53	53
Provisions	-	-	-	-	72	72
Retirement benefit liabilities	-	-	-	-	21	21
Subordinated liabilities	-	-	-	429	-	429
Total	**134,587**	**5,871**	**303**	**153,580**	**906**	**295,247**

Note 39 *Classification of financial instruments, cont.*

Parent company

31 Dec 2014, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	28,846	-	-	-	-	-	-	28,846
Loans to central banks	18	-	282	-	-	-	-	300
Loans to credit institutions	35,305	-	5,486	-	-	-	-	40,791
Loans to the public	61,862	-	44,777	-	-	-	-	106,639
Interest-bearing securities	-	66	22,772	-	-	11,805	-	34,643
Financial instruments pledged as collateral	-	-	11,058	-	-	-	-	11,058
Shares	-	-	1,910	7	-	-	-	1,917
Derivatives	-	-	104,312	-	942	-	-	105,254
Fair value changes of the hedged items in portfolio hedge of interest rate risk	76	-	-	-	-	-	-	76
Investments in group undertakings	-	-	-	-	-	-	308	308
Investments in associated undertakings	-	-	-	-	-	-	28	28
Intangible assets	-	-	-	-	-	-	35	35
Property and equipment	-	-	-	-	-	-	71	71
Investment property	-	-	-	-	-	-	2	2
Deferred tax assets	-	-	-	-	-	-	41	41
Current tax assets	-	-	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-	25	25
Other assets	1,308	-	-	12,977	-	-	301	14,586
Prepaid expenses and accrued income	112	-	-	-	-	-	147	259
Total	**127,527**	**66**	**190,597**	**12,984**	**942**	**11,805**	**958**	**344,879**

31 Dec 2014, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	26,194	-	-	60,934	-	87,128
Deposits and borrowings from the public	24,286	-	-	52,587	-	76,873
Debt securities in issue	8,502	-	-	39,970	-	48,472
Derivatives	102,564	-	312	-	-	102,876
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	773	-	773
Current tax liabilities	-	-	-	-	39	39
Other liabilities	6,273	10,061	-	1,908	128	18,370
Accrued expenses and prepaid income	-	-	-	110	501	611
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	82	82
Retirement benefit liabilities	-	-	-	-	25	25
Subordinated liabilities	-	-	-	620	-	620
Total	**167,819**	**10,061**	**312**	**156,902**	**775**	**335,869**

Note 39 *Classification of financial instruments, cont.*

Parent company

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	30,904	-	-	-	-	-	-	30,904
Loans to central banks	94	-	563	-	-	-	-	657
Loans to credit institutions	33,995	-	6,568	-	-	-	-	40,563
Loans to the public	67,092	-	40,176	-	-	-	-	107,268
Interest-bearing securities	-	2,166	21,322	-	-	10,758	-	34,246
Financial instruments pledged as collateral	-	-	9,739	-	-	-	-	9,739
Shares	-	-	665	14	-	-	-	679
Derivatives	-	-	69,625	-	609	-	-	70,234
Fair value changes of the hedged items in portfolio hedge of interest rate risk	58	-	-	-	-	-	-	58
Investments in group undertakings	-	-	-	-	-	-	376	376
Investments in associated undertakings	-	-	-	-	-	-	34	34
Intangible assets	-	-	-	-	-	-	98	98
Property and equipment	-	-	-	-	-	-	74	74
Investment property	-	-	-	-	-	-	8	8
Deferred tax assets	-	-	-	-	-	-	2	2
Current tax assets	-	-	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-	132	132
Other assets	1,377	-	-	6,606	-	-	250	8,233
Prepaid expenses and accrued income	317	-	-	-	-	-	69	386
Total	**133,837**	**2,166**	**148,658**	**6,620**	**609**	**10,758**	**1,043**	**303,691**

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	22,333	-	-	56,982	-	79,315
Deposits and borrowings from the public	26,924	-	-	53,984	-	80,908
Debt securities in issue	8,119	-	-	39,011	-	47,130
Derivatives	66,806	-	303	-	-	67,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	369	-	369
Current tax liabilities	-	-	-	-	4	4
Other liabilities	10,405	5,871	-	2,139	272	18,687
Accrued expenses and prepaid income	-	-	-	366	302	668
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	67	67
Retirement benefit liabilities	-	-	-	-	20	20
Subordinated liabilities	-	-	-	429	-	429
Total	**134,587**	**5,871**	**303**	**153,280**	**665**	**294,706**

Note 40 Assets and liabilities at fair value

Fair value of financial assets and liabilities

Group

EURm	31 Dec 2014 Carrying amount	31 Dec 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value
Financial assets				
Cash and balances with central banks	28,846	28,846	30,904	30,904
Loans	149,099	147,874	149,546	149,607
Interest-bearing securities	34,643	34,647	34,246	34,252
Financial instruments pledged as collateral	11,058	11,058	9,739	9,739
Shares	1,918	1,918	680	680
Derivatives	105,254	105,254	70,234	70,234
Other assets	14,940	14,938	8,840	8,840
Prepaid expenses and accrued income	440	440	572	572
Total financial assets	**346,198**	**344,975**	**304,761**	**304,828**
Financial liabilities				
Deposits and debt instruments	212,719	212,954	207,465	208,094
Derivatives	102,876	102,876	67,109	67,109
Other liabilities	19,561	19,560	19,378	19,378
Accrued expenses and prepaid income	804	804	866	866
Subordinated liabilities	620	620	429	429
Total financial liabilities	**336,580**	**336,814**	**295,247**	**295,876**

Parent company

EURm	31 Dec 2014 Carrying amount	31 Dec 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value
Financial assets				
Cash and balances with central banks	28,846	28,846	30,904	30,904
Loans	147,730	146,602	148,489	148,547
Interest-bearing securities	34,643	34,647	34,246	34,252
Financial instruments pledged as collateral	11,058	11,058	9,739	9,739
Shares	1,917	1,917	679	679
Derivatives	105,254	105,254	70,234	70,234
Other assets	15,172	15,171	9,014	9,014
Prepaid expenses and accrued income	259	259	386	386
Total financial assets	**344,879**	**343,754**	**303,691**	**303,755**
Financial liabilities				
Deposits and debt instruments	212,473	212,707	207,353	207,982
Derivatives	102,876	102,876	67,109	67,109
Other liabilities	19,289	19,289	19,147	19,147
Accrued expenses and prepaid income	611	611	668	668
Subordinated liabilities	620	620	429	429
Total financial liabilities	**335,869**	**336,103**	**294,706**	**295,335**

For information about valuation of items measured at fair value on the balance sheet, see Note 1 section 10 “Determination of fair value of financial instruments” and the section "Determination of fair values for items measured at fair value on the balance sheet" in this note. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" in this note.

Assets and liabilities at fair value on the balance sheet

Group

Categorisation into the fair value hierarchy

31 Dec 2014, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	282	-	282
Loans to credit institutions	-	5,486	-	5,486
Loans to the public	-	44,777	-	44,777
Interest-bearing securities	18,905	15,595	77	34,577
Financial instruments pledged as collateral	5,789	5,269	-	11,058
Shares	1,465	-	453	1,918
Derivatives	52	103,755	1,447	105,254
Investment properties	-	2	-	2
Other assets	-	12,977	-	12,977
Total	**26,211**	**188,143**	**1,977**	**216,331**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	26,194	-	26,194
Deposits and borrowings from the public	-	24,286	-	24,286
Debt securities in issue	-	8,502	-	8,502
Derivatives	39	101,199	1,638	102,876
Other liabilities	4,137	12,197	-	16,334
Total	**4,176**	**172,378**	**1,638**	**178,192**

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

31 Dec 2013, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	563	-	563
Loans to credit institutions	-	6,568	-	6,568
Loans to the public	-	40,176	-	40,176
Interest-bearing securities	21,985	9,880	215	32,080
Financial instruments pledged as collateral	5,998	3,741	-	9,739
Shares	236	-	444	680
Derivatives	52	68,553	1,629	70,234
Investment properties	-	9	104	113
Other assets	-	6,606	-	6,606
Total	**28,271**	**136,096**	**2,392**	**166,759**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	22,333	-	22,333
Deposits and borrowings from the public	-	26,924	-	26,924
Debt securities in issue	-	8,119	-	8,119
Derivatives	55	65,625	1,429	67,109
Other liabilities	8,680	7,595	1	16,276
Total	**8,735**	**130,596**	**1,430**	**140,761**

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

Parent company

Categorisation into the fair value hierarchy

31 Dec 2014, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	282	-	282
Loans to credit institutions	-	5,486	-	5,486
Loans to the public	-	44,777	-	44,777
Interest-bearing securities	18,905	15,595	77	34,577
Financial instruments pledged as collateral	5,789	5,269	-	11,058
Shares	1,465	-	452	1,917
Derivatives	52	103,755	1,447	105,254
Investment properties	-	2	-	2
Other assets	-	12,977	-	12,977
Total	**26,211**	**188,143**	**1,976**	**216,330**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	26,194	-	26,194
Deposits and borrowings from the public	-	24,286	-	24,286
Debt securities in issue	-	8,502	-	8,502
Derivatives	39	101,199	1,638	102,876
Other liabilities	4,137	12,197	-	16,334
Total	**4,176**	**172,378**	**1,638**	**178,192**

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

31 Dec 2013, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	563	-	563
Loans to credit institutions	-	6,568	-	6,568
Loans to the public	-	40,176	-	40,176
Interest-bearing securities	21,985	9,880	215	32,080
Financial instruments pledged as collateral	5,998	3,741	-	9,739
Shares	235	-	444	679
Derivatives	52	68,553	1,629	70,234
Investment properties	-	4	4	8
Other assets	-	6,606	-	6,606
Total	**28,270**	**136,091**	**2,292**	**166,653**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	22,333	-	22,333
Deposits and borrowings from the public	-	26,924	-	26,924
Debt securities in issue	-	8,119	-	8,119
Derivatives	55	65,625	1,429	67,109
Other liabilities	8,680	7,595	1	16,276
Total	**8,735**	**130,596**	**1,430**	**140,761**

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

Determination of fair values for items measured at fair value on the balance sheet
Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement value hierarchy gives the highest priority to quoted prices (unadjusted) in 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 and hedge funds and investment properties. This is generally also the case for more complex OTC derivatives, including OTC derivatives where less active markets supply input to the valuation techniques or models, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels are based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. For collateralised contracts OIS interest rates are used for discounting. These rates are observable in the market. The valuation is in addition based on several other market parameters, depending on the nature of the contract. Complex valuation models are used for more exotic OTC derivatives. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. As mentioned above OTC derivatives are generally categorised as Level 2 in the fair value hierarchy and all significant model parameters are thus observable in active markets. For vanilla derivatives standard models like e.g. Black-Scholes are used for valuation.

Valuations of Private Equity Funds (PEF) and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by EVCA (European Venture Capital Association). The EVCA guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment.

An important part of the portfolio adjustment relates to counterparty risk in OTC-derivatives. The adjustment is based on the current exposure towards each counterpart, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart. Nordea also takes into account Nordea´s credit spread in the valuation of derivatives (DVA).

Another important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The fair value measurement of the investment properties takes into account a market participant's ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the 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 Bank Finland transferred debt securities of EUR 134m (1,032m) from level 2 to level 1 of the fair value hierarchy for financial assets and 55m (0m) for financial liabilities which are recorded at fair value. The reason for the transfer from level 2 to level 1 was that the instruments have been actively traded during the year and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of year.

Movements in level 3

Group

31 Dec 2014, EURm	1 Jan 2014	Reclassification	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Purchases/ Issues	Sales
Interest-bearing securities	215	-	3	6	89	-232
Shares	444	-	35	22	26	-74
Derivatives (net assets and liabilities)	200	-	-521	-391	-	-
Investment properties	104	-	-	-	-	-104
Other liabilities	1	-	-	-	-	-1

31 Dec 2014, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2014
Interest-bearing securities	-3	-	-	-	77
Shares	-	-	-	-	453
Derivatives (net assets and liabilities)	521	-	-	-	-191
Investment properties	-	-	-	-	-
Other liabilities	-	-	-	-	-

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

Group

31 Dec 2013, EURm	1 Jan 2013	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Purchases	Sales
Interest-bearing securities	277	4	71	96	-227
Shares	527	13	-16	38	-118
Derivatives (net assets and liabilities)	269	289	-69	-	-
Investment properties	94	0	0	28	-17
Other liabilities	-	-20	0	-	-

31 Dec 2013, EURm	Settlements	Issues	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2013
Interest-bearing securities	-6	-	-	-	-	215
Shares	-	-	-	-	-	444
Derivatives (net assets and liabilities)	-289	-	-	-	-	200
Investment properties	-	-	-	-	-1	104
Other liabilities	-608	608	22	-1	-	1

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period NBF transferred other liabilities of EUR 21m from Level 2 to Level 3. 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 reporting period. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

Parent company

31 Dec 2014, EURm	1 Jan 2014	Reclassification	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Purchases/ Issues	Sales
Interest-bearing securities	215	-	3	6	89	-232
Shares	444	-	35	22	26	-74
Derivatives (net assets and liabilities)	200	-	-521	-391	-	-
Investment properties	4	-	-	-	-	-4
Other liabilities	1	-	-	-	-	-1

31 Dec 2014, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2014
Interest-bearing securities	-3	-	-	-	77
Shares	-	-	-	-	452
Derivatives (net assets and liabilities)	521	-	-	-	-191
Investment properties	-	-	-	-	-
Other liabilities	-	-	-	-	-

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period.-Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

Parent company

31 Dec 2013, EURm	1 Jan 2013	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Purchases	Sales
Interest-bearing securities	277	4	71	96	-227
Shares	527	13	-16	38	-118
Derivatives (net assets and liabilities)	269	289	-69	-	-
Investment properties	4	-	0	0	0
Other liabilities	-	-20	0	-	-

31 Dec 2013, EURm	Settlements	Issues	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2013
Interest-bearing securities	-6	-	-	-	-	215
Shares	-	-	-	-	-	444
Derivatives (net assets and liabilities)	-289	-	-	-	-	200
Investment properties	-	-	-	-	-	4
Other liabilities	-608	608	22	-1	-	1

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period NBF transferred other liabilities of EUR 21m from level 2 to level 3. 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 reporting period. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in level 3

Financial instruments
Valuation principles in Nordea are determined in and approved by the Group Valuation Committee (GVC). GVC issues guiding policies to the business units on how to establish a robust valuation process and minimise the valuation uncertainty. The GVC also serves as escalation point.

The valuation process in Nordea consists of several steps. The first step is the initial end of day (EOD) marking of mid-prices. The mid-prices are either fixed by front office or received from external sources. The second step is the control part, which is performed by independent control units. The cornerstone in the control is the independent price verification (IPV). The IPV test comprises verification of the correctness of prices and other parameters used in the net present value (NPV) calculation, the adequacy of the valuation models, including an assessment of whether to use quoted prices or valuation models, and the reliability of the assumptions and parameters used in the-valuation adjustments at portfolio level covering mainly liquidity (bid/offer spread), 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.

The valuation adjustments 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.

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

Group and parent company

31 Dec 2014, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value[3]
Interest-bearing securities				
Municipalities and other public bodies	-	Discounted cash flows	Credit spread	-
Mortgage and other credit institutions	77	Discounted cash flows	Credit spread	-7/7
Corporates	-	Discounted cash flows	Credit spread	-
Other	-	-	-	-
Total	**77**			
Other liabilities	-	Discounted cash flows	Credit spread	-
Total	-			
Shares				
Private equity funds	318	Net asset value[1]		
Hedge funds	129	Net asset value[1]		
Credit Funds	-	Net asset value/market consensus[1]		
Other funds	-	Net asset value/Fund prices[1]		
Other	6	-		
Total[2]	**453**			
Derivatives				
Interest rate derivatives	180	Option model	Correlations	-12/9
			Volatilities	
Equity derivatives	-242	Option model	Correlations	-18/12
			Volatilities	
			Dividend	
Foreign exchange derivatives	-31	Option model	Correlations	+/-0
			Volatilities	
Credit derivatives	-129	Credit derivat model	Correlations	-10/9
			Recovery rates	
Other	31	Option model	Correlations	+/-0
			Volatilities	
Total	**-191**			

[1] 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).
[2] Effects of reasonably possible alternative assumptions are EURm -39/39 (EURm -36/36).
[3] Range of fair value for derivatives 31 Dec 2013 was EURm -30/25 and for interest-bearing securities EURm -20/20.

The tables on previous page show, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

The column “range of fair value” and the footnotes 2 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 total range of 2-10 percentage units depending of the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

Movements in deferred Day 1 profit or loss

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 1 "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 changes in how this aggregated difference has been changed during the year (movements in deferred Day 1 profit).

	Group		Parent company	
		31 Dec	31 Dec	
Deferred day 1 profit - derivatives EURm	2014	2013	2014	2013
Amount at beginning of year	-41	-43	-41	-43
Deferred profit/loss on new transactions	-15	-11	-15	-11
Recognised in the income statement during the year	12	13	12	13
Amount at end of year	**-44**	**-41**	**-44**	**-41**

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

Group

31 Dec 2014, 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	28,846	28,846	1
Loans	98,630	97,405	3
Interest bearing-securities	66	70	1, 2, 3
Other assets and Prepaid expenses and accrued income	1,458	1,458	3
Total	**129,000**	**127,779**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	155,130	155,364	3
Other liabilities and Accrued expenses and prepaid income	2,227	2,226	3
Total	**157,357**	**157,590**	

Note 40 *Assets and liabilities at fair value, cont.*

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

Group

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	30,904	30,904	1
Loans	102,297	102,358	3
Interest bearing-securities	2,166	2,173	1, 2, 3
Other assets and Prepaid expenses and accrued income	1,734	1,734	3
Total	**137,101**	**137,169**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	150,887	151,517	3
Other liabilities and Accrued expenses and prepaid income	2,693	2,693	3
Total	**153,580**	**154,210**	

Parent company

31 Dec 2014, 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	28,846	28,846	1
Loans	97,261	96,133	3
Interest bearing-securities	66	69	1, 2, 3
Other assets and Prepaid expenses and accrued income	1,420	1,420	3
Total	**127,593**	**126,468**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	154,884	155,118	3
Other liabilities and Accrued expenses and prepaid income	2,018	2,017	3
Total	**156,902**	**157,135**	

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	30,904	30,904	1
Loans	101,239	101,297	3
Interest bearing-securities	2,166	2,173	1, 2, 3
Other assets and Prepaid expenses and accrued income	1,694	1,694	3
Total	**136,003**	**136,068**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	150,775	151,405	3
Other liabilities and Accrued expenses and prepaid income	2,505	2,505	3
Total	**153,280**	**153,910**	

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" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Retail Banking and Wholesale Banking respectively. The carrying amount of floating rate loans is assumed to equal fair value.

For the comparative figures 2013 the fair values have 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 fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities
The fair value is EUR 69m, of which EUR 27m is categorised in level 1 and EUR 42m 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 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 a 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 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.

Note 41 Financial instruments set off on balance or subject to netting agreements

Group

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2014, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	246,566	-141,495	105,071	-82,119	-	-9,530	13,422
Reverse repurchase agreements	50,545	-	50,545	-19,750	-30,370	-	425
Total	**297,111**	**-141,495**	**155,616**	**-101,869**	**-30,370**	**-9,530**	**13,847**

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2014, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	243,463	-14,495	101,968	-82,119	-	-11,796	8,053
Repurchase agreements	50,480	-	50,480	-19,750	-29,096	-	1,634
Total	**293,943**	**-141,495**	**152,448**	**-101,869**	**-29,096**	**-11,796**	**9,687**

[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.

Group

				Amounts not set off but subject to master netting agreements and similar 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]	Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	128,024	-58,022	70,002	-56,569	-	-4,359	9,074
Reverse repurchase agreements	47,307	-	47,307	-24,688	-22,201	-	419
Total	**175,331**	**-58,022**	**117,309**	**-81,257**	**-22,201**	**-4,359**	**9,493**

				Amounts not set off but subject to master netting agreements and similar agreements			
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]	Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	124,005	-58,022	65,983	-56,569	-	-4,869	4,545
Repurchase agreements	49,257	-	49,257	-24,688	-20,894	-	3,675
Total	**173,262**	**-58,022**	**115,240**	**-81,257**	**-20,894**	**-4,869**	**8,220**

[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.

Parent company

31 Dec 2014, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	246,566	-141,495	105,071	-82,119	-	-9,530	13,422
Reverse repurchase agreements	50,545	-	50,545	-19,750	-30,370	-	425
Total	**297,111**	**-141,495**	**155,616**	**-101,869**	**-30,370**	**-9,530**	**13,847**

31 Dec 2014, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	243,463	-141,495	101,968	-82,119	-	-11,796	8,053
Repurchase agreements	50,480	-	50,480	-19,750	-29,096	-	1,634
Total	**293,943**	**-141,495**	**152,448**	**-101,869**	**-29,096**	**-11,796**	**9,687**

[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.

Parent company

31 Dec 2013, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	128,024	-58,022	70,002	-56,569	-	-4,359	9,074
Reverse repurchase agreements	47,307	-	47,307	-24,688	-22,201	-	419
Total	**175,331**	**-58,022**	**117,309**	**-81,257**	**-22,201**	**-4,359**	**9,493**

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	124,005	-58,022	65,983	-56,569	-	-4,869	4,545
Repurchase agreements	49,257	-	49,257	-24,688	-20,894	-	3,675
Total	**173,262**	**-58,022**	**115,240**	**-81,257**	**-20,894**	**-4,869**	**8,220**

[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.

Note 41 *Financial instruments set off on balance or subject to netting agreements, cont.*

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.

For a description of counterparty risk see section Risk, Liquidity and Capital management, "Counterparty credit risk" in the Board of Directors' report.

Note 42 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 the 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.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Repurchase agreements				
Interest-bearing securities	11,058	9,739	11,058	9,739
Total	**11,058**	**9,739**	**11,058**	**9,739**

Liabilities associated with the assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Repurchase agreements				
Deposits by credit institutions	6,399	3,085	6,399	3,085
Deposits and borrowings from the public	4,659	6,654	4,659	6,654
Total	**11,058**	**9,739**	**11,058**	**9,739**
Net	**0**	**0**	**0**	**0**

Obtained collaterals which are permitted to be sold or repledged
NBF 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 securites 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.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	48,465	45,944	48,465	45,944
- of which repledged or sold	38,733	39,068	38,733	39,068
Total	**48,465**	**45,944**	**48,465**	**45,944**

Note 43 Maturity analysis for assets and liabilities

Group

Expected maturity

EURm	Note	31 Dec 2014 Expected to be recovered or settled: Within 12 months	After 12 months	Total	31 Dec 2013 Expected to be recovered or settled: Within 12 months	After 12 months	Total
Cash and balances with central banks		28,846	-	28,846	30,904	-	30,904
Loans to central banks	13	300	-	300	657	-	657
Loans to credit institutions	13	26,051	9,000	35,051	21,070	14,040	35,110
Loans to the public	13	56,322	57,426	113,748	58,339	55,440	113,779
Interest-bearing securities	14	12,775	21,868	34,643	10,031	24,215	34,246
Financial instruments pledged as collateral	15	4,065	6,993	11,058	7,088	2,651	9,739
Shares	16	1,917	1	1,918	665	15	680
Derivatives	17	14,823	90,431	105,254	8,026	62,208	70,234
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	2	74	76	7	51	58
Investments in group undertakings	19	-	-	-	-	-	-
Investments in associated undertakings	20	2	37	39	-	59	59
Intangible assets	21	6	41	47	3	97	100
Properties and equipment		7	77	84	2	92	94
Investment properties	23	-	2	2	1	112	113
Deferred tax assets	12	43	0	43	4	1	5
Current tax assets	12	0	-	0	1	-	1
Retirement benefit assets	32	-	25	25	-	133	133
Other assets	24	14,623	1	14,624	8,273	4	8,277
Prepaid expenses and accrued income	25	440	-	440	572	-	572
Total assets		**160,222**	**185,976**	**346,198**	**145,643**	**159,118**	**304,761**
Deposits by credit institutions	26	82,291	5,077	87,368	73,991	5,435	79,426
Deposits and borrowings from the public	27	76,646	233	76,879	79,820	1,089	80,909
Debt securities in issue	28	26,510	21,962	48,472	25,648	21,482	47,130
Derivatives	17	14,427	88,449	102,876	8,810	58,299	67,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	35	738	773	25	344	369
Current tax liabilities	12	41	-	41	8	-	8
Other liabilities	29	18,577	-	18,577	18,855	-	18,855
Accrued expenses and prepaid income	30	801	3	804	863	3	866
Deferred tax liabilities	12	41	16	57	39	14	53
Provisions	31	0	85	85	2	70	72
Retirement benefit liabilities	32	3	25	28	-	21	21
Subordinated liabilities	33	-	620	620	360	69	429
Total liabilities		**219,372**	**117,208**	**336,580**	**208,421**	**86,826**	**295,247**

Parent company

Expected maturity

		31 Dec 2014 Expected to be recovered or settled:			31 Dec 2013 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		28,846	-	28,846	30,904	-	30,904
Loans to central banks	13	300	-	300	657	-	657
Loans to credit institutions	13	30,631	10,160	40,791	25,671	14,892	40,563
Loans to the public	13	52,012	54,627	106,639	54,647	52,621	107,268
Interest-bearing securities	14	12,775	21,868	34,643	10,031	24,215	34,246
Financial instruments pledged as collateral	15	4,065	6,993	11,058	7,088	2,651	9,739
Shares	16	1,917	-	1,917	665	14	679
Derivatives	17	14,822	90,432	105,254	8,026	62,208	70,234
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	2	74	76	7	51	58
Investments in group undertakings	19	-	308	308	-	376	376
Investments in associated undertakings	20	-	28	28	-	34	34
Intangible assets	21	-	35	35	-	98	98
Properties and equipment		-	71	71	-	74	74
Investment properties	23	-	2	2	-	8	8
Deferred tax assets	12	41	-	41	2	-	2
Current tax assets	12	-	-	-	-	-	-
Retirement benefit assets	32	-	25	25	-	132	132
Other assets	24	14,586	-	14,586	8,233	-	8,233
Prepaid expenses and accrued income	25	259	-	259	386	-	386
Total assets		**160,256**	**184,623**	**344,879**	**146,317**	**157,374**	**303,691**
Deposits by credit institutions	26	82,051	5,077	87,128	73,949	5,366	79,315
Deposits and borrowings from the public	27	76,646	227	76,873	79,819	1,089	80,908
Debt securities in issue	28	26,510	21,962	48,472	25,648	21,482	47,130
Derivatives	17	14,427	88,449	102,876	8,810	58,299	67,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	35	738	773	25	344	369
Current tax liabilities	12	39	-	39	4	-	4
Other liabilities	29	18,370	-	18,370	18,687	-	18,687
Accrued expenses and prepaid income	30	611	-	611	668	-	668
Deferred tax liabilities	12	-	-	-	-	-	-
Provisions	31	-	82	82	-	67	67
Retirement benefit liabilities	32	-	25	25	-	20	20
Subordinated liabilities	33	-	620	620	360	69	429
Total liabilities		**218,689**	**117,180**	**335,869**	**207,970**	**86,736**	**294,706**

Note 43 *Maturity analysis for assets and liabilities, cont.*

Contractual undiscounted cash flows

Group

31 Dec 2014, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest bearing financial assets	30,571	69,519	35,671	60,185	37,974	233,920
Non interest bearing financial assets					121,682	121,682
Non-financial assets					869	869
Total assets	**30,571**	**69,519**	**35,671**	**60,185**	**160,525**	**356,471**
Interest bearing financial liabilities	46,057	106,000	34,041	23,669	6,025	215,792
Non interest bearing financial liabilities					122,209	122,209
Non-financial liabilities and equity					10,649	10,649
Total liabilities and equity	**46,057**	**106,000**	**34,041**	**23,669**	**138,883**	**348,650**
Derivatives, cash inflow		460,348	126,316	221,216	69,384	877,264
Derivatives, cash outflow		480,726	124,947	212,268	70,075	888,017
Net exposure	**-**	**-20,378**	**1,369**	**8,948**	**-691**	**-10,752**
Exposure	**-15,486**	**-56,859**	**2,998**	**45,463**	**20,952**	**-2,932**
Cumulative exposure	**-15,486**	**-72,345**	**-69,347**	**-23,883**	**-2,932**	

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	36,850	67,487	26,151	67,676	41,783	239,948
Non-interest bearing financial assets					79,409	79,409
Non-financial assets					1,014	1,014
Total assets	**36,850**	**67,487**	**26,151**	**67,676**	**122,206**	**320,370**
Interest bearing financial liabilities	41,808	110,698	28,689	21,628	7,964	210,786
Non-interest bearing financial liabilities					86,446	86,446
Non-financial liabilities and equity					10,420	10,420
Total liabilities and equity	**41,808**	**110,698**	**28,689**	**21,628**	**104,830**	**307,652**
Derivatives, cash inflow		467,888	125,713	212,976	68,318	874,896
Derivatives, cash outflow		469,864	125,876	212,411	69,415	877,566
Net exposure	**-**	**-1,975**	**-162**	**565**	**-1,097**	**-2,670**
Exposure	**-4,958**	**-45,186**	**-2,700**	**46,613**	**16,279**	**10,048**
Cumulative exposure	**-4,958**	**-50,144**	**-52,844**	**-6,230**	**10,048**	

Note 43 *Maturity analysis for assets and liabilities, cont.*

Contractual undiscounted cash flows

Parent company

31 Dec 2014, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	**Total**
Interest bearing financial assets	29,728	70,756	35,183	58,635	37,565	231,866
Non-interest bearing financial assets					121,757	121,757
Non-financial assets					958	958
Total assets	**29,728**	**70,756**	**35,183**	**58,635**	**160,280**	**354,582**
Interest bearing financial liabilities	45,986	105,721	33,911	22,990	6,671	215,279
Non-interest bearing financial liabilities					122,115	122,115
Non-financial liabilities and equity					9,785	9,785
Total liabilities and equity	**45,986**	**105,721**	**33,911**	**22,990**	**138,570**	**347,179**
Derivatives, cash inflow		460,348	126,316	221,216	69,384	877,264
Derivatives, cash outflow		480,726	124,947	212,268	70,075	888,017
Net exposure	**-**	**-20,378**	**1,369**	**8,948**	**-691**	**-10,752**
Exposure	**-16,258**	**-55,343**	**2,641**	**44,592**	**21,019**	**-3,350**
Cumulative exposure	**-16,258**	**-71,602**	**-68,961**	**-24,369**	**-3,350**	

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	37,624	67,494	25,779	66,139	41,434	238,470
Non-interest bearing financial assets					79,280	79,280
Non-financial assets					1,043	1,043
Total assets	**37,624**	**67,494**	**25,779**	**66,139**	**121,757**	**318,794**
Interest bearing financial liabilities	47,209	105,119	28,556	20,882	8,593	210,360
Non-interest bearing financial liabilities					86,259	86,259
Non-financial liabilities and equity					9,650	9,650
Total liabilities and equity	**47,209**	**105,119**	**28,556**	**20,882**	**104,502**	**306,269**
Derivatives, cash inflow		467,888	125,713	212,976	68,318	874,896
Derivatives, cash outflow		469,864	125,876	212,411	69,415	877,566
Net exposure	**-**	**-1,975**	**-162**	**565**	**-1,097**	**-2,670**
Exposure	**-9,584**	**-39,601**	**-2,939**	**45,821**	**16,158**	**9,855**
Cumulative exposure	**-9,584**	**-49,185**	**-52,124**	**-6,303**	**9,855**	

The table is based on contractual maturities for the on balance sheet items 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 items and derivative instruments, Nordea has credit commitments amounting to EUR 16,021m (15,882), which could be drawn on at any time.

NBF has also issued guarantees of EUR 13,283m (14,323) which may lead to future cash outflows if certain events occur.

Note 44 Related-party transactions

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

Group

	Nordea Group undertakings		Nordea Group associated undertakings		Other related parties	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Assets						
Loans	31,145	28,488	185	143	-	-
Interest-bearing securities	2,750	3,683	57	120	-	-
Financial instruments pledged as collateral	1,823	1,097	-	-	-	-
Derivatives	4,455	2,163	218	141	-	-
Other assets	2,193	1,259	-	-	-	-
Prepaid expenses and accrued income	24	23	-	-	-	-
Total assets	**42,390**	**36,713**	**460**	**404**	**-**	**-**
Liabilities						
Deposits	52,794	42,073	106	44	1	74
Debt securities in issue	759	1,243	0	11	-	-
Derivatives	7,398	2,795	154	34	-	-
Subordinated liabilities	550	-	-	-	-	-
Other liabilities	230	403	-	-	-	-
Accrued expenses and deferred income	210	261	-	-	-	-
Total liabilities	**61,941**	**46,775**	**260**	**89**	**1**	**74**
Off balance[1]	**242,058**	**203,052**	**4,123**	**5,662**	**-**	**-**

[1] Including nominal values on derivatives.

Group	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2014	2013	2014	2013	2014	2013
Net interest income	162	128	3	3	-	-
Net fee and commission income	-477	-649	1	2	1	1
Net result from items at fair value	-1,237	24	-102	9	-	-
Other operating income	76	9	0	-	-	-
Total operating expenses	-194	-157	0	-1	-	-
Profit before loan losses	**-1,670**	**-645**	**-98**	**13**	**1**	**1**

Parent company

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Assets						
Loans	5,748	5,775	121	143	-	-
Interest-bearing securities	-	-	-	-	-	-
Financial instruments pledged as collateral	-	-	-	-	-	-
Derivatives	0	-	4	9	-	-
Investments in associated undertakings	-	-	28	34	-	-
Investments in group undertakings	308	376	-	-	-	-
Other assets	0	4	-	-	-	-
Prepaid expenses and accrued income	8	4	-	-	-	-
Total assets	**6,064**	**6,159**	**153**	**186**	**-**	**-**

Note 44 *Related-party transactions, cont.*

Parent company

EURm	Group undertakings 31 Dec 2014	Group undertakings 31 Dec 2013	Associated undertakings 31 Dec 2014	Associated undertakings 31 Dec 2013	Other related parties 31 Dec 2014	Other related parties 31 Dec 2013
Liabilities						
Deposits	4	9	1	1	1	74
Debt securities in issue	-	-	-	-	-	-
Derivatives	-	-	0	-	-	-
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	0	0	-	-	-	-
Accrued expenses and deferred income	-	0	-	-	-	-
Total liabilities	**4**	**9**	**1**	**1**	**1**	**74**
Off balance[1]	716	651	141	174	-	-

[1] Including nominal values on derivatives.

Parent company

EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Net interest income	27	35	3	2	-	-
Net fee and commission income	61	53	0	1	1	1
Net result from items at fair value	0	-	-2	2	-	-
Other operating income	4	6	-	-	-	-
Total operating expenses	-4	-28	-	-	-	-
Profit before loan losses	**88**	**66**	**1**	**5**	**1**	**1**

The terms "group undertakings" and "associated undertakings" refer to group undertakings and associated undertakings of the Nordea Bank Finland Group. In addition to the parent company figures stated above, the parent company's assets included receivables, interest-bearing securities, derivatives and other assets from other Nordea group undertakings in the amount of EUR 42,228m (36,579), liabilities in the amount of EUR 61,625m (46,588), profit before loan losses in the amount of EUR -1,657m (-641) and off-balance sheet commitments in the amount of EUR 242,058m (203,052). Off balance sheet transactions with Nordea group associated undertakings amounted to EUR 3,983m (5,488) and corresponding balance sheet values of derivatives were EUR 214m (132) in assets and EUR 154m (34) in liabilities.

Compensations and loans and receivables to Key management personnel

Compensations and loans to Key management personnel are specified in Note 8.

Note 45 Credit risk disclosure

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2014, which is available on www.nordea.com.

Group

Exposure types, EURm	31 Dec 2014	31 Dec 2013
On-balance sheet items	146,714	153,299
Off-balance sheet items	10,262	15,301
Securities financing	4,063	1,740
Derivatives	31,563	18,698
Exposure At Default (EAD)	**192,603**	**189,038**

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 Capital Requirements Regulation (CRR). The main differences are outlined in this section to illustrate the link between the different reporting methods.

Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note, is divided between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reverse 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, reverse repurchase agreements, positive fair value for derivatives and interest-bearing securities)
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit)

The table below shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items
The following items have been excluded from the balance sheet, when calculating on-balance exposure in accordance with the CRR:

- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

Off-balance sheet items
The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- “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 CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

On-balance sheet items

Group

31 Dec 2014, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	28,846				28,846
Loans to central banks and credit institutions	29,584		5,768	0	35,352
Loans to the public	69,616		44,777	-645	113,748
Interest-bearing securities and pledged instruments	17,520	28,180			45,701
Derivatives[1]			105,254		105,254
Intangible assets				47	47
Other assets and prepaid expenses	1,190	14,887	91	1,082	17,250
Total assets	**146,757**	**43,068**	**155,890**	**483**	**346,198**
Exposure at default[2]	**146,750**				

[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.

On-balance sheet items

Group

31 Dec 2013, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	30,904				30,904
Loans to central banks and credit institutions	28,636		7,131	0	35,767
Loans to the public	74,422		40,176	-820	113,779
Interest-bearing securities and pledged instruments	17,912	26,073			43,985
Derivatives[1]			70,234		70,234
Intangible assets				100	100
Other assets and prepaid expenses	1,551	7,271	65	1,104	9,991
Total assets	**153,425**	**33,344**	**117,607**	**384**	**304,761**

[1] Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.

Off-balance sheet items

Group

31 Dec 2014, EURm	Credit risk in Basel III calculation
Contingent liabilities	14,906
Commitments	16,790
Total	**31,696**

31 Dec 2014, EURm	Credit risk in Basel III calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities and Checking accounts	15,922	4,036	19,958	37%	7,419
Loan commitments	857	287	1,144	45%	520
Guarantees	13,747		13,747	15%	2,017
Other	1,171		1,171	26%	306
Total	**31,696**	**4,323**	**36,019**		**10,262**

31 Dec 2013, EURm	Credit risk in Basel II calculation
Contingent liabilities	15,836
Commitments	16,603
Total	**32,439**

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 and Checking accounts	13,435	4,676	18,111	31%	5,633
Loan commitments	2,767	259	3,026	26%	793
Guarantees	14,760		14,760	57%	8,415
Other	1,476		1,476	31%	459
Total	**32,439**	**4,935**	**37,374**		**15,301**

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (i.e. statistical classification codes of economic activities in the European community). The banks is the largest sector which together with other public and organisations are the only industries that account for more than 7% of the total exposure of EUR 193bn. The largest nominal and relative increase was found within the other financial companies, industry while the highest nominal and relative decrease was found within industrial capital goods industry.

Group

EURm	31 Dec 2014	31 Dec 2013
Banks	76,007	74,069
Construction and engineering	1,265	2,193
Consumer durables (cars, appliances, etc.)	1,504	1,585
Consumer staples (food, agriculture etc.)	2,660	2,813
Energy (oil, gas, etc.)	1,352	1,450
Health care and pharmaceuticals	914	938
Industrial capital goods	2,151	3,382
Industrial commercial services	3,574	4,043
IT software, hardware and services	769	765
Media and leisure	862	1,123
Metals and mining materials	270	308
Paper and forest materials	1,148	1,572
Real estate management and investment	13,150	12,512
Retail trade	3,757	4,060
Shipping and offshore	5,268	5,188
Telecommunication equipment	161	404
Telecommunication operators	613	715
Transportation	1,914	2,401
Utilities (distribution and production)	3,993	4,502
Other financial companies	12,001	8,497
Other materials (chemical, building materials etc)	2,652	3,337
Other, public and organisations	56,617	53,180
Total exposure	**192,603**	**189,038**

Collateral distribution

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate to constitute a major share of eligible collateral items in relative terms. The real estate collateral category saw the largest relative decrease during the year, while the share of other physical collaterals increased. Real estate is commonly used as collateral for credit risk mitigation purposes, and the majority of real estate collaterals are found in Finland. Other physical collateral consist mainly of ships and vehicles.

Group

EURm	31 Dec 2014	31 Dec 2013
Financial Collateral	2%	2%
Receivables	2%	2%
Residential Real Estate	73%	82%
Commercial Real Estate	10%	8%
Other Physical Collateral	13%	7%
Total	**100%**	**100%**

Collaterised Debt Obligations (CDO) - Exposure[1]

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and syntehetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivatives transactions create counterparty credit risk in similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements. CDO valuations are subject to fair value adjustments for model risk. These fair value adjustments are recognised in the income statement.

Group and parent company

	31 Dec 2014		31 Dec 2013	
Nominals, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	1,204	1,691	1,266	1,587
Hedged exposures	1,005	1,004	965	966
CDOs, net[2]	**199[3]**	**687[4]**	**301[3]**	**621[4]**
- of which Equity	20	67	57	102
- of which Mezzanine	98	370	108	306
- of which Senior	81	250	136	213

[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 (47) and net sold protection to EUR 46m (18). 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 90m (184) and sub investment grade EUR 109m (115).

[4] Of which investment grade EUR 423m (411) and sub investment grade EUR 264m (273) and not rated EUR 0m (0).

Assets taken over for protection of claims[1]

	Group		Parent company	
EURm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Current assets, carrying amount:				
Land and buildings		108		108
Shares and other participations	2		2	
Other assets	1	3	1	0
Total	**3**	**111**	**3**	**108**

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

Past due loans, excl. impaired loans

The table below shows past due loans not impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2014 EUR 223m down from EUR 251m one year ago. Past due loans for household customers decreased to EUR 280m (438) mainly due to transfer of Baltic branches to Nordea Bank AB (publ).

	Group				Parent company			
	31 Dec 2014		31 Dec 2013		31 Dec 2014		31 Dec 2013	
EURm	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	80	147	92	215	27	125	34	194
31-60 days	64	91	70	144	27	80	37	101
61-90 days	50	42	30	71	18	40	18	51
>90 days	28	0	58	8	20	0	53	8
Total	**223**	**280**	**251**	**438**	**92**	**244**	**142**	**354**
Past due not impaired loans divided by loans to the public after allowances, %	0.29	0.77	0.34	1.15	0.13	0.73	0.20	1.00

Note 45 *Credit risk disclosure, cont.*

Loans to corporate customers, by size of loan
The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 81% of the corporate volume represents loans up to EUR 50m per customer.

	Group				Parent company			
EURm	31 Dec 2014	%	31 Dec 2013	%	31 Dec 2014	%	31 Dec 2013	%
0-10	42,561	55.8	41,146	54.9	40,213	55.8	39,041	54.9
10-50	19,552	25.6	19,140	25.6	18,473	25.6	18,161	25.6
50-100	5,673	7.4	5,199	6.9	5,360	7.4	4,933	6.9
100-250	7,433	9.8	5,939	7.9	7,023	9.8	5,635	7.9
250-500	1,018	1.3	3,471	4.6	962	1.3	3,293	4.6
500-	0	0.0	0	0.0	0	0.0	0	0.0
Total	**76,238**	**100.0**	**74,895**	**100.0**	**72,031**	**100.0**	**71,064**	**100.0**

Interest-bearing securities
For more information about credit risk related to interest-bearing securities, see Note 14 where the carrying amount of interest-bearing securities is split on different types of counterparties.

Note 46 Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well defined objective. If Nordea controls such an entity, it is consolidated.

Unconsolidated structured entities
For structured entities in which Nordea has an interest but do not control it, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interest in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products where Nordea invests in investment funds:
- on behalf of depositors where the return is based the investment
- to hedge exposures in structured products issued to customers.
- illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds are disclosed although the net exposure is considerably less.

Investment funds acquired to hedge exposures in structured products reduce the exposures and to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated to EUR 6m, net of hedges.

Nordeas interests in unconsolidated structured entities and any related liability are disclosed in the table below:

	Group	Parent company
EURm	31 Dec 2014	31 Dec 2014
Assets, carrying amount		
Loans to credit institutions	-	-
Shares	701	701
Total assets	**701**	**701**
Liabilities		
Deposits and borrowings from the public	-	-
Liabilities to policy holders	-	-
Derivatives	105	105
Total liabilities	**105**	**105**
Off balance, nominal amount		
Loan commitments	-	-

Nordea have not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

Note 47 Mergers, acquisitions, disposals and dissolutions

Subsidiaries acquired during 2014	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Other subsidiaries established during 2014	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Subsidiaries sold during 2014	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Other subsidiaries sold during 2014	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
	10	271	-9

Subsidiaries merged during 2014	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Subsidiaries dissolved during 2014	Number of companies	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Associated undertakings dissolved during 2014	Line of business	Total assets EURm	Profit/loss for the year as included in the Bank Group
-	-	-	-

Note 48 Nordea shares

Nordea Bank Finland Plc does not possess own shares. During the year Nordea Bank Finland has bought and sold shares in its parent company Nordea Bank AB (publ) as part of its normal trading and marketmaking activities. The trades are specified in the table enclosed. The increased volumes are explained by higher trading activity in NBF.

Acquisitions Month	Quantity	Average acq.price	Amount, EUR
January	784,416	10.08	7,906,710.77
February	2,641,463	9.99	26,393,391.61
March	2,007,082	10.20	20,468,456.74
April	2,772,290	10.22	28,328,988.16
May	1,521,412	10.42	15,849,726.88
June	1,562,640	10.64	16,619,459.20
July	3,487,072	10.26	35,777,712.41
August	1,992,066	9.92	19,751,797.59
September	2,272,098	10.00	22,731,408.82
October	8,391,659	9.68	81,203,136.49
November	2,995,501	10.01	29,989,755.07
December	4,111,184	9.46	38,883,223.31
	34,538,883		343,903,767.06

Sales Month	Quantity	Average price	Amount, EUR
January	-705,300	10.07	-7,099,132.22
February	-2,699,582	10.00	-26,994,709.05
March	-2,059,931	10.19	-20,989,470.17
April	-2,486,740	10.24	-25,471,352.50
May	-1,688,116	10.44	-17,626,848.24
June	-2,150,822	10.60	-22,803,794.83
July	-4,903,803	10.26	-50,311,913.90
August	-2,068,983	9.90	-20,491,974.88
September	-2,267,013	9.99	-22,649,521.97
October	-2,022,725	9.89	-19,999,896.78
November	-3,540,465	10.02	-35,460,869.92
December	-3,148,867	9.44	-29,730,329.59
	-29,742,347		-299,629,814.05

The quota value of the Nordea Bank AB (publ) share is EUR 1.00. The trades had an insignificant effect on the shareholding and voting-power in Nordea Bank AB (publ). At year-end 2014 NBF owned 4,828,977 shares of the parent company.

Note 49 Transferred operations

Transferred Baltic operations

	Group		Parent company	
EURm	2014	2013	2014	2013
Net interest income	35	138	35	137
Net fee and commission income	0	1	0	1
Net result from items at fair value	-10	-4	0	-1
Other operating income	0	1	0	1
Total operating income	**25**	**136**	**35**	**138**
Staff costs	-9	-36	-9	-36
Other expenses	-7	-37	-7	-37
Depreciation of tangible and intangible assets	-1	-3	-1	-3
Total operating expenses	**-17**	**-76**	**-17**	**-76**
Profit before loan losses	**8**	**60**	**18**	**62**
Net loan losses	-38	-26	-38	-26
Impairment of securities held as non-financial assets	-	-	-17	-
Operating profit	**-30**	**34**	**-37**	**36**
Income tax expense	1	-8	1	-8
Net profit for the period	**-29**	**26**	**-36**	**28**

International operations to be transferred[1]

	Group		Parent company	
EURm	2014	2013	2014	2013
Net interest income	81	73	81	73
Net fee and commission income	48	39	48	39
Net result from items at fair value	3	3	3	3
Other operating income	0	0	0	0
Total operating income	**132**	**115**	**132**	**115**
Staff costs	-21	-15	-21	-15
Other expenses	-10	-10	-10	-10
Depreciation of tangible and intangible assets	-1	-1	-1	-1
Total operating expenses	**-32**	**-26**	**-32**	**-26**
Profit before loan losses	**100**	**89**	**100**	**89**
Net loan losses	-10	-3	-10	-3
Operating profit	**90**	**86**	**90**	**86**
Income tax expense	-4	-6	-4	-6
Net profit for the period	**86**	**80**	**86**	**80**

[1] The operations of London and Frankfurt branches were sold on 1 January 2015.

The proposal of the Board of Directors to the Annual General Meeting

The parent company's distributable funds on 31 December 2014 were EUR 6,113,829,734.71, of which the profit for the year was EUR 821,220,326.24. The Board of Directors proposes that

1. a dividend of EUR 450,000,000.00 be paid
2. whereafter the distributable funds will be EUR 5,663,829,734.71.

Signatures of the Directors' report and of the Financial Statements:

Helsinki, 27 February 2015

Torsten Hagen Jørgensen

Casper von Koskull

Carl-Johan Granvik

Gunn Wærsted

Ari Kaperi
President

Our auditors' report has been issued today.

Helsinki, 27 February 2015

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant

Auditors' report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Nordea Bank Finland Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Nordea Bank Finland Plc for the year ended on 31 December 2013. The financial statements comprise both the consolidated and the parent company's statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Finnish Credit Institutions Act, the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion,

- both the consolidated and the parent company's financial statements give a true and fair view of their financial position, financial performance, and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland
- the information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions
We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki 27 February 2015

KPMG OY AB

Marcus Tötterman
Authorized Public Accountant in Finland

Management and auditors

Management

The Board of Directors of Nordea Bank Finland Plc comprises four members.

The President of Nordea Bank Finland Plc is Ari Kaperi and Topi Manner acts as his deputy.

Board of Directors

Carl-Johan Granvik
Born 1949. Member since 2012.
Former positions in Nordea: President of Nordea Bank Finland Plc, Head of Group Risk Management, Chief Risk Officer and Country Senior Executive in Finland.

Casper von Koskull
Born 1960. Member since 2010.
Head of Wholesale Banking

Torsten Hagen Jørgensen
Born 1965. Member since 2013.
Chief Financial Officer (CFO), Head of Group Corporate Centre

Gunn Wærsted
Born 1955. Member since 2010
Chief Executive Officer in Nordea Bank Norge ASA, Head of Wealth Management and Country Senior Executive in Norway

Auditors

The Nomination Committee of Nordea Bank AB (publ) will propose to the Annual General Meeting 2015 the election of a new auditor according to rules on rotation of auditors. The corresponding AGM decision of Nordea Bank Finland Plc will be conditional on the outcome of this election.

The Annual General Meeting of Nordea Bank Finland Plc elects the company's auditors for a period of one year at a time. The auditor must be an audit firm authorised by the Finnish Chamber of Commerce.

The current audit firm:

KPMG Oy Ab

Auditor with main responsibility
Marcus Tötterman
Authorised Public Accountant

Corporate Governance Report 2014

Application by Nordea Bank Finland Plc

On Internal Governance in Nordea Bank Finland Plc

General Meeting
Nordea Bank Finland Plc (“Bank”) is the wholly-owned subsidiary of Nordea Bank AB (publ). The General Meeting is the highest decision-making body.

The Board of Directors of Nordea Bank Finland Plc shall be responsible for the administration of the Bank and the appropriate organisation of its operations, and for representing the Bank.

The Board of Directors
The Board of Directors of Nordea Bank Finland Plc consists at the moment of four members, one of which is an external board member. According to the Articles of Association, the Board of Directors shall consist of not less than four and not more than seven members. The Board of Directors shall appoint the Chairman and the Deputy Chairman of the Board. The term of office of the members of the Board of Directors shall continue until further notice. The retirement age for members of the Board of Directors shall be 70.

The Board of Directors shall, in the work schedule approved by it, confirm the authorisation to act for and on behalf of the Bank and the distribution between the members of the Board of Directors and the President.

According to the work schedule, the Board of Directors is responsible for the organisation and administration of the Bank and its business.

The Board shall manage the Bank’s affairs with due expertise and care in accordance with legislation, the Articles of Association, the present work schedule and observing Group management’s decisions and instructions.

The Board shall ensure that it has requisite knowledge of the Bank’s affairs in accordance with legislation and the Articles of Association.

The Board shall ensure that it has requisite knowledge of the Bank’s position, business development and risks as well as other circumstances of material significance to the Bank’s operations.

The Bank’s operations are fully integrated into the Nordea Group.

It is particularly incumbent upon the Board of Directors to:
a. establish the Bank’s and the banking Group’s overall organisation,
b. ensure that the Bank’s organisation with respect to accounting, management of funds and the Bank’s financial circumstances generally includes satisfactory controls,
c. approve the risk strategy and other strategic goals as well as see to it that the surveillance of the goals and strategy is reliable
d. appoint and discharge the Bank’s President and Deputy President and exercise supervision to ensure that the Bank’s President fulfils his or her obligations,
e. where needed, in accordance with the Nordea Group credit instructions, prepare supplementary credit instructions for issuing credit at Nordea Bank Finland Plc,
f. determine matters relating to the funding operations,
g. resolve on and submit annual reports and interim reports for the Bank,
h. regularly monitor and assess the Bank’s and the bank group’s financial situation and risks,
i. convene and prepare items for the Annual General Meeting.

The Board of Directors of Nordea Bank Finland Plc has four Board committees: risk committee, audit committee, remuneration committee and nomination committee. Each committee has tasks set out to it in the Act on Credit Institutions.

The Board has approved a policy for the Bank in order to advance diversity in the composition of the Board. The gender balance shall be promoted when appointing members of the Board of Directors. The Bank shall strive for equal gender distribution between the genders and has worked out a plan for meeting this target.

President, Deputy President and Management Group
Nordea Bank Finland Plc has a President and a Deputy President.

The President of Nordea Bank Finland Plc has established a Management Group to assist and support him in fulfilling his duties derived from his role as responsible for managing the day-to-day operations of the Bank. The Management Group consists of Nordea Bank Finland Plc's President, CFO, CRO, Board Secretary, Head of Banking Finland and Head of CIB Finland.

Chief Risk Officer
Nordea Bank Finland has a Chief Risk Officer (CRO). The CRO of Nordea Bank Finland is subordinated to the President of Nordea Bank Finland Plc. The corresponding CRO function has been established to sub-groups in Denmark, Finland and Norway. The CRO forms an integral part of the Group Risk Management function in Nordea.

The CRO is an independent second line of defence risk management function within Nordea Bank Finland Group. The CRO shall provide a complete view of whole range of risks in Nordea Bank Finland Group to the relevant governing bodies, ensure coordination of risk management activities and adequate risk management set-up in the legal entity.

Compliance
According to the Nordea Operational Risk Policy and the Instructions for the Nordea Compliance Function, Group Compliance as a unit organisationally placed under the CEO in Nordea is responsible for developing and maintaining the framework for managing compliance risks. The network of Compliance Officers (COs) with reporting lines within the Compliance function support the first line of defence management in managing compliance risk and providing the Group Compliance Officer with independent reports. These reports provide input to the Group Compliance Officer's semi-annual compliance report to the Chief Executive Officer, the Board of Directors of Nordea Bank AB (publ) and its subsidiaries including Nordea Bank Finland Plc.

Insider Administration
Nordea Group and Nordea Bank Finland Plc have in accordance with laws and regulations in the role of issuer and broker established insider registers and adopted insider guidelines applicable to the whole bank. According to the guidelines members of the Board of Directors, the President and the Deputy President, external auditors and deputy external auditors as well as executive management and other relevant persons following separate decision and notification procedures are restricted from trading in Nordea shares and related instruments during other period than two weeks following publication of the Group's interim reports. Regarding other financial instruments the above mentioned top management and other relevant persons may not engage in short time trading where the time between acquisition of ownership of certain securities, and the intended or actual disposal or execution of the securities is shorter than one month ("the one-month rule"). Nordea Bank Finland Plc reports on governance and follow up of rules regarding public insider registers and trading in financial instruments to the Finnish FSA on an annual basis.

Corporate Governance Report
Nordea Bank Finland Plc submits this report as an issuer of bonds. This report has been prepared following recommendation 54 in the Finnish Corporate Governance Code and the report is submitted as a separate report from the Annual Report 2014.

Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the listed parent company of the whole Nordea Group. The Nordea Group is referred to as "Nordea". A description of corporate governance in Nordea during the most recent financial year is included in the 2014 Annual Report of Nordea Bank AB (publ). All the operations of Nordea Bank Finland Plc are integrated into the operations of the Nordea Group. Nordea has established the corporate governance framework at group level and the framework is reviewed on a continuous basis. Information on corporate governance in Nordea and this report are available on www.nordea.com. Nordea Bank Finland Plc has increased governance arrangements on legal entity level during 2014 by establishment of the four Board committees and the Management Group. Nordea Bank Finland Plc has given a description on governance arrangements in accordance with the Act on Credit Institutions available on www.nordea.fi.

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

Nordea follows generally adopted principles of corporate governance including the rules and principles set forth in the Swedish Code of Corporate Governance. Although the codes differ in details between the countries, they are all based on the general international development and common Nordic approach within this field and thus show a fundamental resemblance to one another.

The Board of Directors and the Board Audit Committee of Nordea Bank Finland Plc have reviewed this Corporate Governance Report. This Corporate Governance Report describes the main features of the internal control and risk management systems regarding the financial reporting process in Nordea Bank Finland Plc.

Report on the key aspects of the systems for internal control and risk management regarding financial reports for the Financial Year 2014

Nordea Bank Finland Plc belongs to the Nordea Group and the internal control and risk management systems in relation to the financial reporting process are organised at Nordea level. Financial reporting processes are fully integrated within Nordea. The Board of Directors of Nordea Bank Finland Plc monitors financial and risk reporting at Nordea Bank Finland Plc level and has dealt with the risk reports on Nordea Bank Finland Plc level. Nordea Bank Finland Plc complies with the Group directives and supporting instructions to the extent applicable.

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 the achievement of objective fulfilment in terms of effectiveness and efficiency of operations, reliability of financial and non-financial reporting, compliance with external and internal regulations, safeguarding of assets as well as sufficient management of risks in the operations. The internal control process is based on five main components: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

The framework for the Internal Control Process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and the 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 within risk exposure limits and in accordance with the decided internal control and risk management framework. As the second line of defence, the centralised risk group functions are responsible for providing the internal control and risk management framework. Group Internal Audit performs audits and provides assurance to stakeholders on governance, risk management and internal controls, which is the third line of defence.

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 and issuers of bonds. 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 in Nordea can be described in accordance with the original COSO framework as follows below.

Control Environment

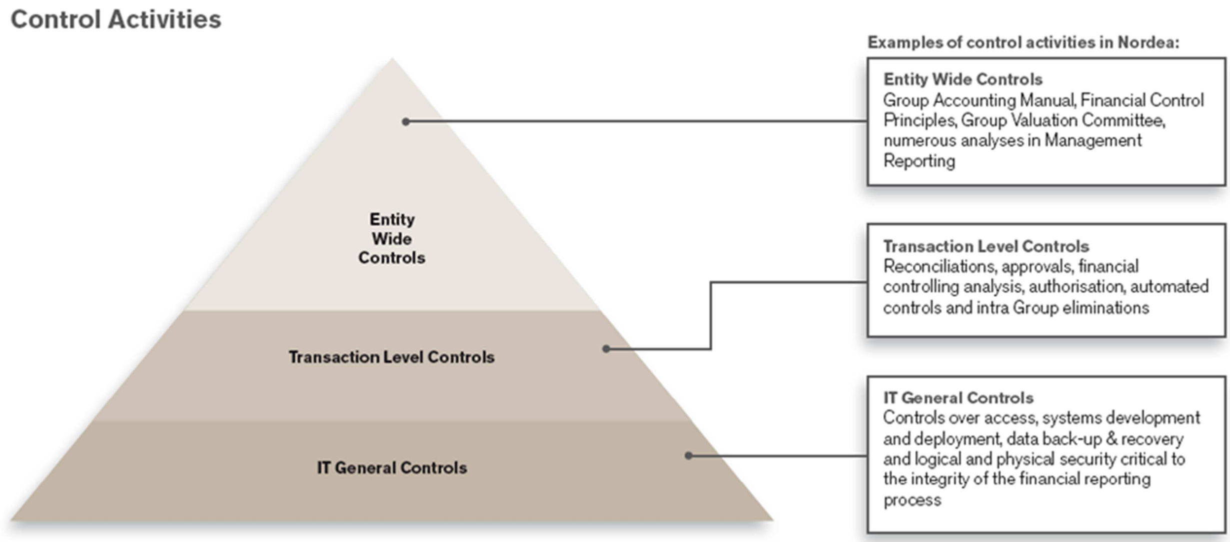
The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Board of Directors and Executive Management of Nordea Bank AB (publ).

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.

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

Risk Assessment

The Board of Directors has the ultimate responsibility for limiting and monitoring the Nordea Group's risk exposure and risk management is considered 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.



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

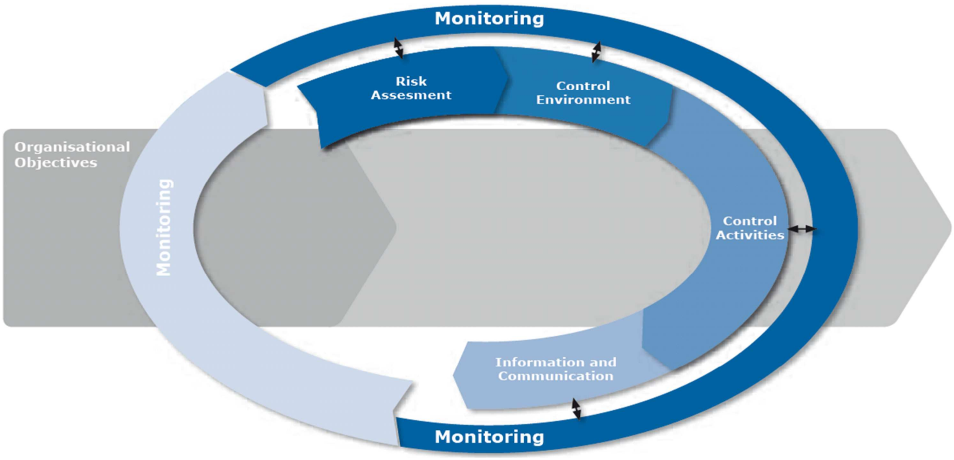
The quality assurance vested in the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls in which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

Information & Communication

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

Matters affecting the fulfilment of financial reporting objectives are communicated with external parties, with Nordea actively participating in relevant national forums, such as 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 the follow-up regarding possible deficiencies. This interactive process aims to cover all COSO-components in the Framework and is illustrated with the diagram below:



The Risk and Control Self-Assessment process includes monitoring the quality of internal control in 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 and the Board Risk Committee of and the Board of Directors of Nordea Bank AB (publ).

The Board of Directors, Group Internal Audit (GIA) and the Board Audit Committee of Nordea Bank AB (publ) have an important role with regard to monitoring internal control in financial reporting in the whole Nordea Group. Similarly the Board of Directors and the Board Audit Committee of Nordea Bank Finland Plc have an important role with regard to monitoring internal control in financial reporting in Nordea Bank Finland Group.

Group Internal Audit is an independent function commissioned by the Board of Directors of Nordea Bank AB (publ). The Board Audit Committee of Nordea Bank AB (publ) is responsible for guidance and evaluation of GIA within the Nordea Group and the Board Audit Committee of Nordea Bank Finland Plc within the Nordea Bank Finland Group. GIA does not engage in consulting activities unless the Board Audit Committee of Nordea Bank AB (publ) gives it special assignments. The purpose of GIA’s assurance activity is to add value to the organisation by assuring the quality of the governance, risk management, and control processes as well as promoting continuous improvement.

The Board Audit Committee of Nordea Bank Finland Plc handles and the Board of Directors of Nordea Bank Finland Plc approves the Group Internal Audit Annual Plan for Nordea Group and inspects the Semi-annual Group Internal Audit Report on Nordea Bank Finland Plc.

The Board Audit Committee of Nordea Bank Finland Plc also assists the Board of Directors of Nordea Bank Finland Plc in fulfilling its oversight responsibilities by, for instance, monitoring the Nordea Bank Finland 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 Board of Directors of Nordea Bank Finland Plc, including the effectiveness of GIA. The Board Audit Committee of Nordea Bank Finland Plc 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 Bank Finland Group.

This Corporate Governance Report, including the report on the key aspects of the systems for internal control and risk management regarding financial reports, has not been reviewed by the external auditors and it is not part of the formal financial statements.

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