Building the Future Relationship Bank

Dear Shareholder

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

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

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

More customers and continued swift transformation

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

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

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

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

Consolidated position as leading wholesale bank

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

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

Assets under management at new record high

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

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

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

Delivering on the 2015 plan

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

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

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

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

Great customer experiences in the future

In 2015 we will also continue adapting to the changing behaviour among our customers and to the new regulation.

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

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

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

Best regards

Strategy – the future relationship bank developing

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

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

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

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

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

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

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

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

- Value chain optimisation – Our three business areas' value chains are designed to support the focused relationship strategy. Having one operating model and business area ownership of the end-to-end value chain ensures a comprehensive view, accountability and congruity. It safeguards operational efficiency by improving the quality of customer relationships, increasing the time spent with customers and reducing the time required to bring new products and services to market.

- Simplification – In order to continue to deliver Great customer experiences in the face of digitisation, changing customer behaviour and increased operational regulations we need to become more agile and realise the full potential of our scale while ensuring continued resilience. To do so, we will continue to adopt and develop best practice and strive for transparency and reduced complexity in our products and processes. In addition, we have launched a programme and investments to make the transition to a New Core Banking Platform, a New Payment Platform, and a Group Common Data Warehouse.

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

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

Strong customer-oriented values and culture

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

Great customer experiences

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

It's all about people

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

One Nordea team

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

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

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

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

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

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

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

Segmentation and value proposition – Household customers

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

Segmentation and value proposition – Corporate customers

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

The Nordea share and shareholders

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

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

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

Share price performance

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

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

Total shareholder return 2014

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

Turnover – the most liquid Nordic financial share

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

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

Share capital

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

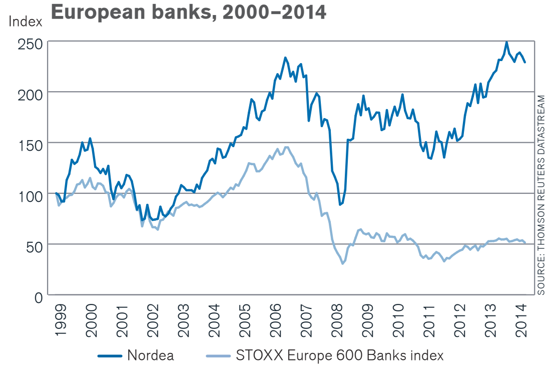
All ordinary shares in Nordea carry voting rights, with each share entitling to one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

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

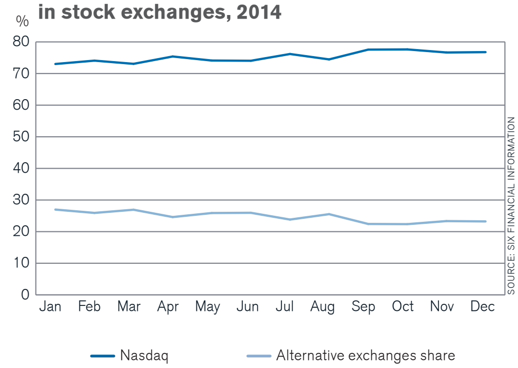
Capital policy

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

Nordea share performance compared to European banks, 2000–2014



Turnover of the Nordea share in stock exchanges, 2014



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

Proposed dividend and dividend ambition

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

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

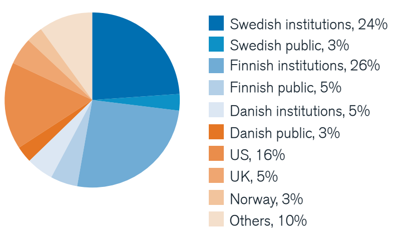
The dividend is denominated in EUR, Nordea's accounting currency. The payment currency depends on the country in which the shares are registered. Owners of shares registered in Sweden can choose between dividend in SEK or EUR. An official exchange rate is published. In Denmark, dividends are paid in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

Shareholders

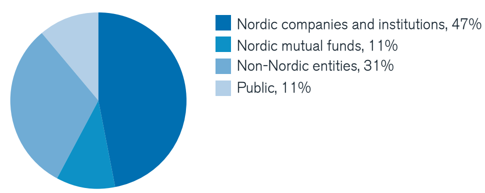
With approx. 445,000 registered shareholders at the end of 2014, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 98,000, in Finland approx. 193,000 and in Denmark approx. 154,000 – largely unchanged numbers from last year.

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

Shareholder structure, 31 Dec 2014



Type of shareholders, 31 Dec 2014



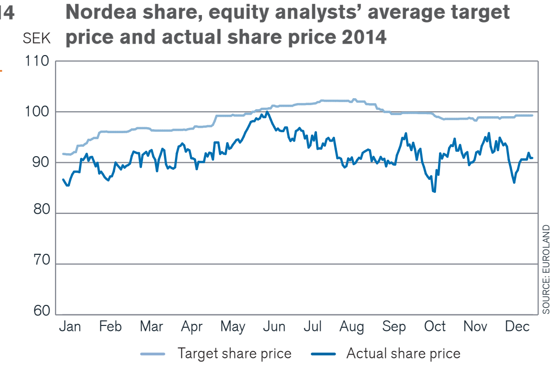
SOURCE: SIS ÄGARSERVICE, NORDIC CENTRAL SECURITIES DEPOSITORY, VP ONLINE

Largest registered* shareholders in Nordea, 31 Dec 2014

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

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

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

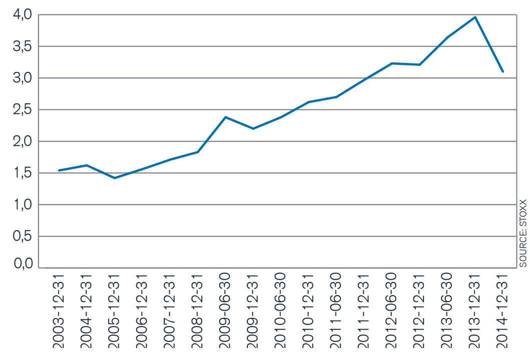


Nordea share, monthly turnover on different stock exchanges 2014, %

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

SOURCE: SIX FINANCIAL INFORMATION

Nordea weighting in the STOXX Europe 600 Banks index, %



Distribution of shares, 31 Dec 2014

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

Share data 5 years

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

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

Change in share capital[1]

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

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

Great people create great customer experience

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

Staying value-driven

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

Enhancing our leadership

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

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

Managing our talents

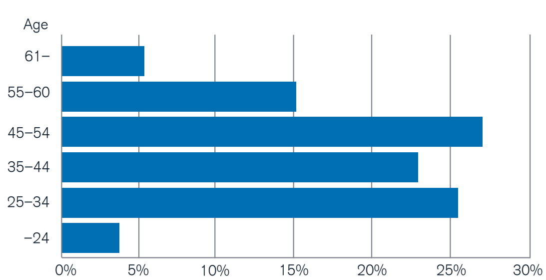
Ensuring that our customers have a positive experience in their dealings with us is central to everything we do. It is therefore critical that we employ, develop and retain the people who are best placed to help us deliver this goal.

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

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

Employees distributed by age

% of employees 31 Dec 2014



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

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

Employee satisfaction survey results

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

Adjusted, excluding Polish operations

CSR performance counts

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

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

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

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

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

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

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

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

Gunn Wærsted,
Head of Wealth Management

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

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

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

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

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

Business Areas

Business Areas are very well positioned

Retail Banking

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

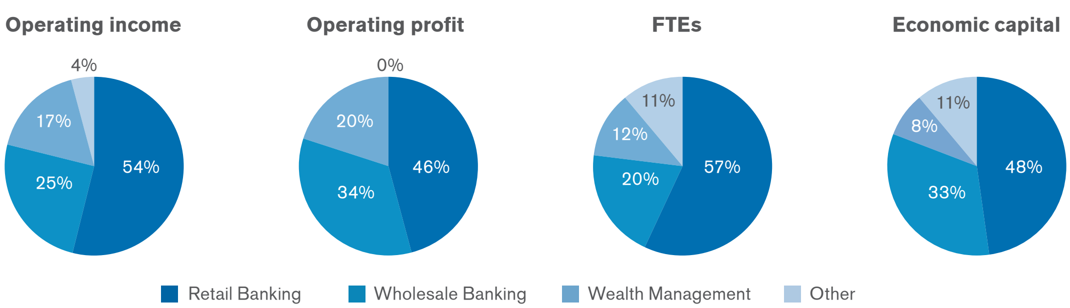
Wholesale Banking

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

Wealth Management

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

Business Area contribution, 2014



Market positions, 2014

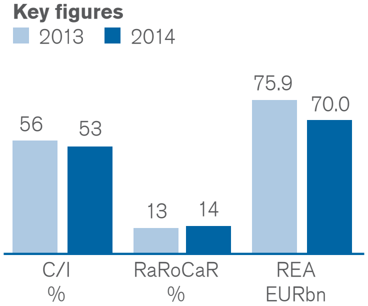
	Denmark	Finland	Norway	Sweden	Estonia	Latvia	Lithuania	Russia	Shipping int'l, Lux.	Total
Number of customers, 000's										
Corporate customers	51	176	87	229	21	10	7	3	2	587
Household customers										
Household customers in customer programme	1,616	2,138	796	3,335	131	105	158	19		8,298
– of which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

Business Area
Retail Banking

2014 performance and strategic direction

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

Key figures



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

Strategy

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

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

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

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

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

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

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

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

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

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

Business development

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

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

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

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

Result

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

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

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

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

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

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

Credit quality

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

Banking Denmark

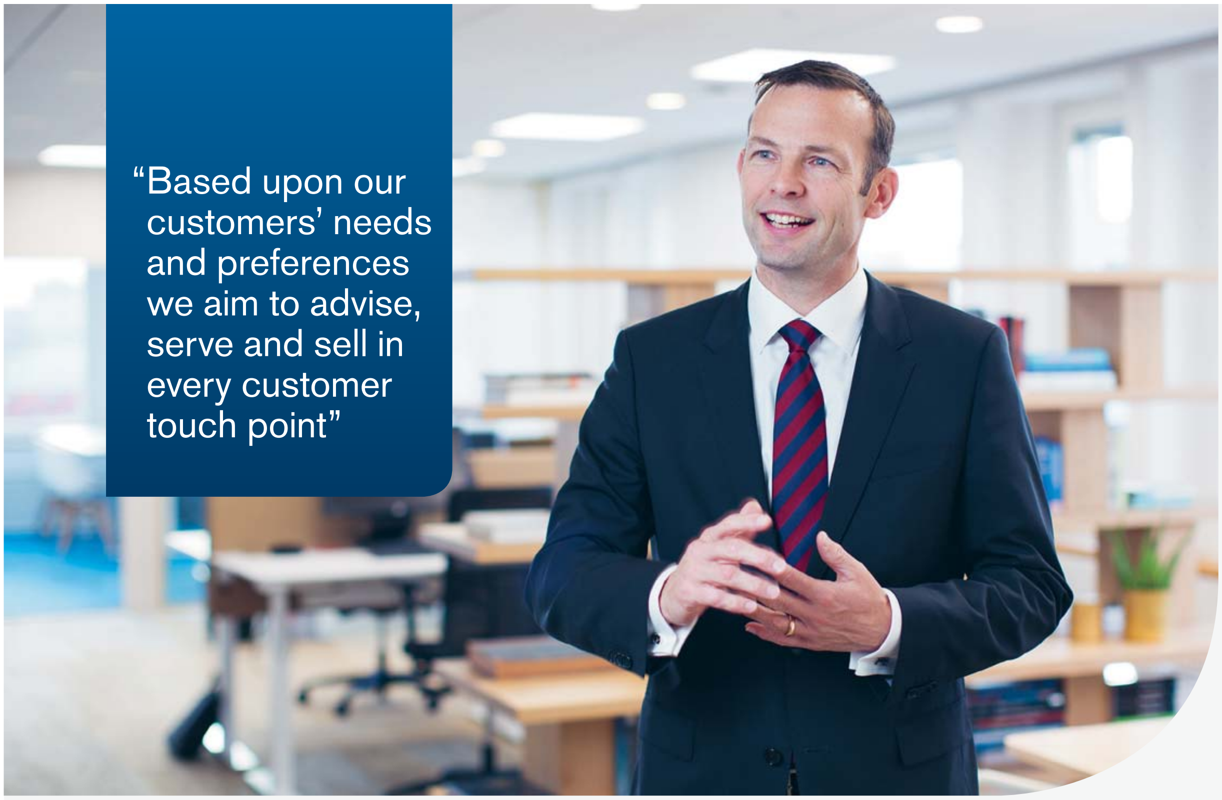
A continued high activity level with customers paved the way for increased business volumes, leading to higher total income despite decreasing interest rates and weak GDP development. The high level of inflow of both new corporate and household customers was maintained and the cost efficiency programme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

Banking Finland

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

Banking Norway

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



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

Lennart Jacobsen is Head of Retail Banking.

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

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

Banking Sweden

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

Banking Baltic countries

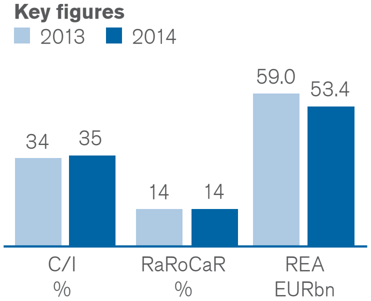
The growth in total income was driven by net interest income, which in turn was a result of a favourable direction of lending spreads especially on the corporate market. Staff costs increased, but total expenses were kept at the same level as 2013. Lending volumes were down 2%, whereas the strengthening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

Business Area
Wholesale Banking

2014 performance and strategic direction

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

Key figures



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

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

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

Strategy

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

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

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

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

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

Casper von Koskull is Head of Wholesale Banking.

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

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

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

Business development

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

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

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

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

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

Banking

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

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

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

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

Capital markets

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

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

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

Credit quality

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

Result

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

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

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

Corporate & Institutional Banking

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

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

Shipping, Offshore & Oil Services

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

Banking Russia

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

Wholesale Banking other

(including Capital Markets unallocated)

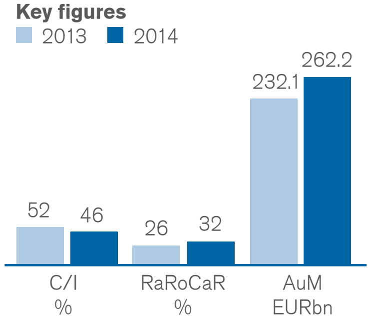
Wholesale Banking other total income was down 39% from the previous year, reflecting continuous low interest rates and subdued market activity. Wholesale Banking other is the residual result not allocated to customer units. This includes the unallocated income from Capital Markets, Transaction Products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

Business Area
Wealth Management

2014 performance and strategic direction

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

Key figures



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

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

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

Strategy

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

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

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

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

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

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

Business development

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

All businesses contributed positively to the net flow.

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

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

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

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

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

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

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

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

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

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

Result

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

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

Private Banking

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

Gunn Wærsted is Head of Wealth Management.

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

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

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

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

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

Financial Review 2014

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

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

Legal structure

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

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

Macroeconomic development

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

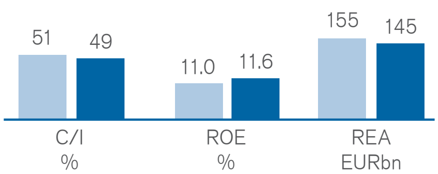
The Nordic economies showed some growth, and the overall picture still appeared relatively robust. In Sweden and Norway, GDP growth continued to hold up relatively well. Economic growth in Norway is however expected to slow down. The growth in Denmark has remained at lower level, but showed signs of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

Result summary for 2014

Total income increased in 2014 by 2% in local currencies (unchanged in EUR) compared to 2013, excluding non-recurring items (capital gain from the divestment of the shareholding in Nets Holding of EUR 378m). Total expenses decreased 1% in local currencies (–4% in EUR)

Nordea Group, key figures*

2013 2014



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

excluding non-recurring items (restructuring costs of EUR 190m and charge for impairment of intangible assets of EUR 344m) and are in line with the cost-efficiency programme. Net loan losses decreased from last year to a level of 15 basis points of loans. Operating profit was up 12% in local currencies excluding non-recurring items (+9% in EUR).

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

Income

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

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

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

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

Expenses

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

Net loan losses

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

Taxes

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

Net profit and Return on equity (ROE)

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

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

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

Financial structure

Total assets increased by 6% or EUR 39bn to EUR 669bn in 2014. Total liabilities increased by 6% or EUR 38bn to EUR 640bn. All balance sheet items in foreign currencies are translated to EUR at the year-end rates when consolidated into the Nordea Group. See Note G1 for more information on accounting policies and section 27 therein for cross-currency rates used.

The euro strengthened against the Swedish and Norwegian krona and against the Russian Rubel in 2014. It was largely unchanged against the Danish krona. The effect of changes in currency exchange rates amounted to a total decrease in the Group's assets of EUR 13bn. Liabilities decreased by EUR 12bn.

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

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

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

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

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

Financial target

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

Capital position and capital policy

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

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

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

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

Credit portfolio

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

The overall credit quality is solid with strongly rated customers and a positive effect from rating migration on total in the portfolio. The total effect of improved credit quality on REA was a decrease of approx. 0.7% in 2014.

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

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

Divestment of the Polish banking, life and financing businesses completed

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

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

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

Nordea has divested all shares in Nets Holding A/S

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

Nordea's funding operations

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

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

Market risk

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

Hedge accounting

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

The Nordea share

According to the Articles of Association, shares in Nordea may be issued in two classes, ordinary shares and C-shares. The total number of shares in the Company is 4,049,951,919. All shares are ordinary shares, see also Statement of changes in equity on page 64 and a table showing the change in share capital is found on page 15. The voting rights are described on page 49. C-shares are not entitled to any dividend.

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

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

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

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

Holding of own shares

As of 31 December 2014, Nordea held 23,009,458 shares (0.6% of total number of shares) in Nordea, a decrease of 8,778,474 shares compared to 31 December 2013. The quota value is EUR 1 and the acquisition price amounts to EUR 83m. These shares are partly held for trading purposes and partly as hedges of conditional rights in the Long Term Incentive Programmes.

Dividend

The Board of Directors proposes to the AGM a dividend of EUR 0.62 per share (EUR 0.43) and further, that the record date for dividend should be 23 March 2015. The dividend corresponds to a payout ratio of 70% of net profit excluding the net effect from the charge for impairment of intangible assets of EUR 344m. Total proposed dividend amounts to EUR 2,501m.

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

Mandate to acquire and convey own shares

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

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

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

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

Mandate to issue convertible instruments

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

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

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

Rating

Ratings of the Nordea Group are presented on page 215.

Personnel

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

Profit sharing and share-based incentive systems

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

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

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

Pension liabilities

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

Legal proceedings

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

Further information is presented in Note G36.

Impact on the financial statements and regulatory capital from the assets quality review as of 31 December 2013

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

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

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

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

Environmental concerns and corporate social responsibility

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

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

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

Foreign branches

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

Annual General Meeting 2015

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

Business area results

Retail Banking, operating profit by market

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

Wholesale Banking, operating profit by unit

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

Wealth Management, operating profit by unit

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

Group Corporate Centre, operating profit

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

Life & Pensions, profit drivers

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

MCEV composition of Nordea Life & Pensions

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

Total Nordea Group and Business Areas

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

1) Excluding non-recurring items 2014.

Risk, Liquidity and Capital management

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

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

Management principles and control

Board of Directors and Board Risk Committee

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

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

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

Responsibility of CEO and GEM

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

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

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

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

Responsibility of Group Risk Management and Group Corporate Centre

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

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders. The Board of Directors is ultimately responsible for the Group's overall risk appetite and for setting principles regarding how risk appetite is managed. The Board Risk Committee assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to risk appetite and making recommendations regarding changes to the Group's risk appetite.

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

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

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

Monitoring and reporting

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

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

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

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

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

Risk management

Credit Risk management

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

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

Credit risk definition and identification

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

Individual and collective assessment of impairment

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

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

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

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

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

Credit portfolio

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

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

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

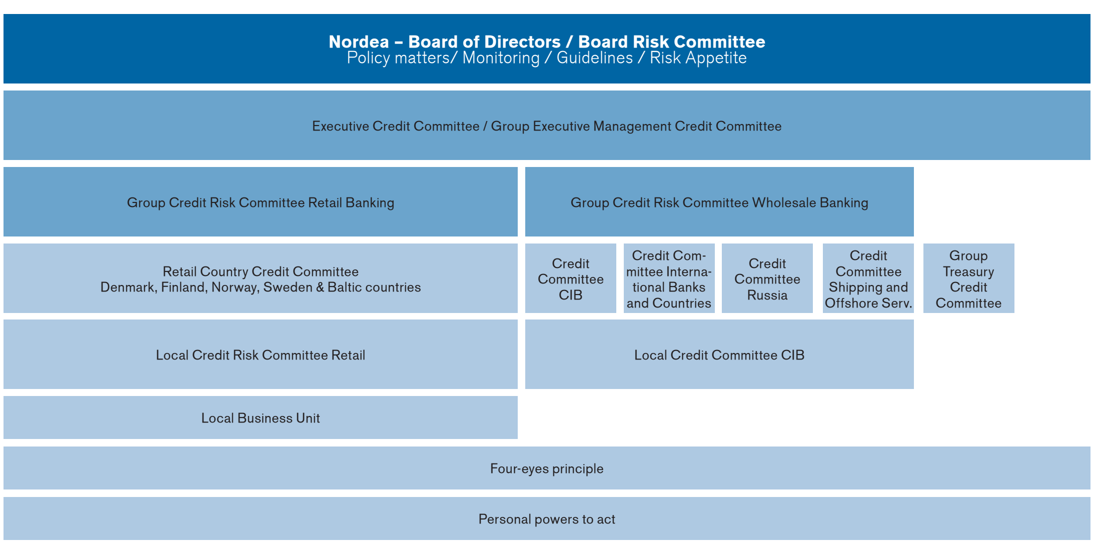
Nordea's loans to the public increased by 2% to EUR 348bn during 2014 (EUR 342bn in 2013). It is attributable to an increase of approx. 3% in the corporate portfolio and an increase of 1% in the household portfolio. The lending to the public sector was stable. The overall credit quality is solid with strongly rated customers and a positive effect from rating migration on total in the portfolio. Out of lending to the public, corporate customers accounted for 54% (53%), household customers for 44% (45%) and the public sector for 2% (2%). Lending in the Baltic countries constitutes 2.0% (2.4%) and the Shipping and offshore industry 2.9% (3.0%) of the Group's total lending to the public. Lending to companies owned by private equity funds constitutes less than 3% of total lending, of which 99% are senior loans. Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 19bn at the end of 2014 (EUR 22bn).

Loans to corporate customers

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

Loans to shipping and offshore decreased by 2% to EUR 10.0bn in 2014 (EUR 10.2bn). The portfolio is well diversified by type of vessel, has a focus on large and financially robust industrial players and exhibits strong credit quality, with an

Credit decision-making structure for main operations



Credit risk exposure and loans

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

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

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

average rating of 4. Nordea is a leading bank to the global shipping and offshore industry with strong brand recognition and a world leading loan syndication franchise. Reflecting Nordea's global customer strategy, there is an even distribution between Nordic and non-Nordic customers.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 73% (71%) of the corporate volume is for loans up to EUR 50m per customer.

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

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

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

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

Loans to household customers

In 2014 lending to household customers increased by 1% to EUR 154bn (EUR 153bn). Mortgage loans increased slightly to EUR 126bn (EUR 125bn) and consumer loans were stable at EUR 28bn. The proportion of mortgage loans of total household loans was unchanged at 82%, of which the Nordic market accounted for 98%.

Geographical distribution

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

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

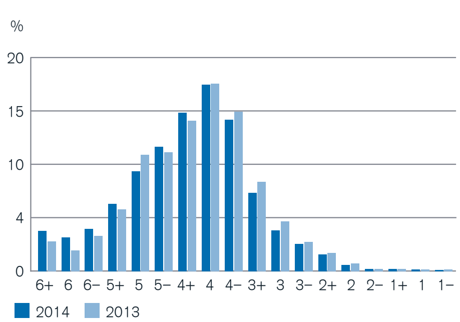
Rating and scoring distribution

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

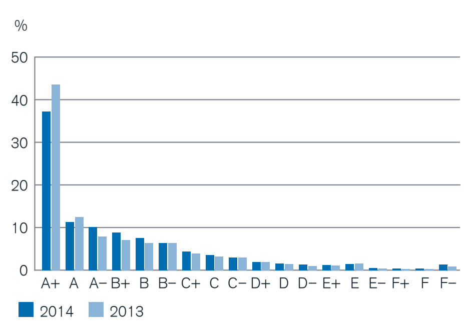
The credit quality was slightly improved in the corporate credit portfolio as well as in the scoring portfolio in 2014. 28% of the number of corporate customers migrated upwards (26%) while 21% were down-rated (23%). Exposure-wise, 24% (21%) of the corporate customer exposure migrated upwards while 16%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

84% (82%) of the corporate exposure were rated 4– or higher, with an average rating for this portfolio of 4+. Institutions and retail customers on the other hand exhibit a distribution that is biased towards the higher rating grades. 91% (92%) of the retail exposures is scored C– or higher, which indicates a probability of default of 1% or lower. Impaired

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



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

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

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

Impaired loans

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

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

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

Impaired loans and ratios

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

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

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

Net loan losses

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

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

Net loan losses and loan loss ratios

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

1) Positive net loan losses, ie net reversals.

Counterparty credit risk

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

Consolidated market risk figures, VaR[1]

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

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

exposure net was towards financial institutions.

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

Market risk

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

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

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

Earnings and cost streams generated in foreign currencies or from foreign branches generate an FX exposure, which for the individual Nordea companies is handled in each company's FX position. Currency translation differences in the Group's equity are generally the difference of equity and goodwill in foreign currency less net investment hedges and tax.

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

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

Measurement of market risk

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

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

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

Market risk analysis

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

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

Foreign exchange rate positions in FX VaR[1]

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

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

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

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

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

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

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

SIIR analysis
At the end of the year, the SIIR for increasing market rates was EUR 384m (EUR 409m) and the SIIR for decreasing market rates was EUR –160m (EUR –466m) These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

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

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

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

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

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

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

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

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

The life and health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality rates, longevity rates, disability rates, surrender/lapse risks and selection effects. These risks are primarily controlled using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and setting up adequate provisions for risks.

Liquidity management

Key issues during 2014

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

Management principles and control

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

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

Liquidity risk management

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

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

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

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

Liquidity risk measurement methods

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

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

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

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

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

Liquidity risk analysis

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

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

Net balance of stable funding, 31 December 2014

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

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

Funding sources, 31 December 2014

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

For a maturity breakdown, see Note G45.

Capital management

Capital management

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

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

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

Capital requirements

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

Capital requirements and REA

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

Capital policy

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

Minimum capital requirements

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

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

Internal capital requirement

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

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

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

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

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

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

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

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

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

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

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

Summary of items included in own funds

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

Capital adequacy ratios

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

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

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

New regulations

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

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

Updates on Basel III and the CRD IV/CRR

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

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

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

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

Bank Recovery and Resolution Directive

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

Bank structural reform

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

Solvency II

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

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

Accounting

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

Corporate Governance Report 2014

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

This Corporate Governance Report is prepared in accordance with the requirements in the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the Code). The main emphasis is on the Board of Directors in its role as the main decision-making body in Nordea's corporate governance structure, and the interaction with the other bodies to ensure sound corporate governance. Nordea's system for internal control and risk management regarding financial reporting is also covered.

Corporate governance at Nordea

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

In 2014, the Company had neither any infringement of the applicable stock exchange rules nor any breach of good practice in the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council.

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

Division of powers and responsibilities

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

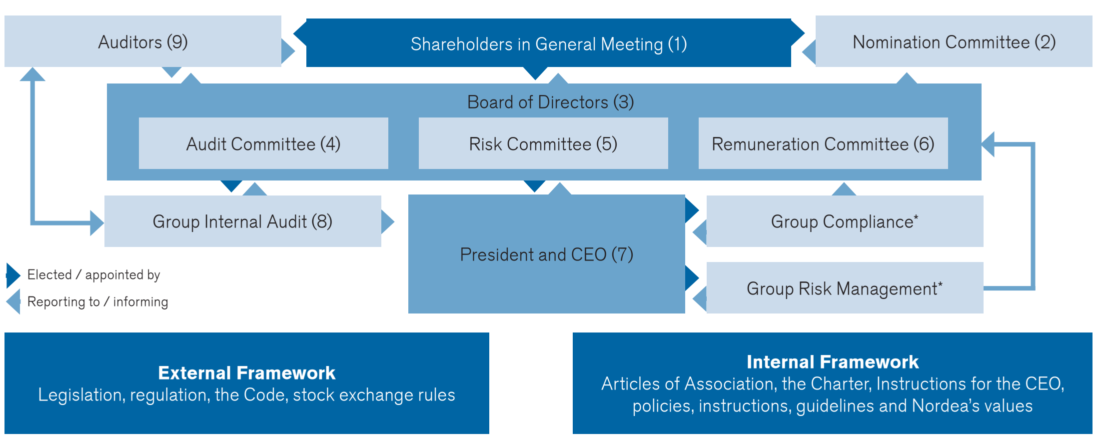
General Meetings (1)

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

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

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

Corporate Governance Structure



The numbers in the brackets refer to text paragraphs.
* Group Risk Management as well as Group Compliance are described in separate sections and information is presented on page 16 to 17 and 35 to 43.

Voting rights
According to the Articles of Association, shares may be issued in two classes, ordinary shares and C-shares. All shares in Nordea carry voting rights, with each ordinary share entitled to one vote and each C-share entitled to one tenth of one vote at General Meetings. At General Meetings, each shareholder is entitled to vote for the full number of shares that he or she owns or represents. Nordea is not entitled to vote for its own shares at General Meetings. More information about the Nordea share is presented in the section "The Nordea share and shareholders" on page 13 and in the "Financial Review 2014" on page 28.

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

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

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

Nomination process (2)
The AGM 2014 decided to establish a Nomination Committee with the task of proposing Board members, the Chairman of the Board and auditor as well as remuneration for the Board members and auditor to the AGM 2015.

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

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

The proposals of the Nomination Committee are presented in the notice of the AGM 2015 and at www.nordea.com.

Nordea Board of Directors (3)
Composition of the Board of Directors
According to the Articles of Association, the Board of Directors consists of at least six and no more than fifteen members elected by the shareholders at the General Meeting. The term of office for Board members is one year. Nordea has neither a specific retirement age for Board members nor a time limit for how long a Board member may serve on the Board. There are no such requirements in the external framework.

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

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

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

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

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

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

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

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

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

The work of the Board of Directors
The Board of Directors annually establishes its working plan, in which the management and risk reporting to the Board is also established. The statutory meeting following the AGM 2014 elected the vice Chairman and appointed the Board Committee members. The Board has adopted written work procedures governing its work and its work carried out in the Board Committees (the Charter). For example, the Charter sets forth the Board's and the Chair-

man's areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains rules regarding conflicts of interest and confidentiality. Furthermore, the Board of Directors has adopted instructions for the CEO specifying the CEO's responsibilities as well as other charters, policies and instructions for the operations of the Group. These, together with the Articles of Association, the Charter and Nordea's values, constitute the internal framework that regulates corporate governance at Nordea. Further information regarding Nordea's values is presented in the section Strategy – the future relationship bank developing, on page 10.

The Board is charged with the organisation of Nordea and the management of the Company's operations and the overall management of the Nordea Group's affairs in accordance with the external and internal framework. Furthermore, the Board shall ensure that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. Group Internal Audit (GIA) annually issues to the Board an overall assurance statement on Nordea's governance, risk management and control processes. The assurance statement for 2014 concludes that the internal control system is adequate and effective. Further information regarding internal control within Nordea is provided below under "Internal Control Process".

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

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

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

The Chairman

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

Evaluation of the Board

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

Board Committees

In accordance with the external framework and in order to increase the effectiveness of the board work, the Board of Directors has established separate working committees to assist the Board in preparing matters, belonging to the competence of the Board and to decide in matters delegated by the Board. The duties of the Board Committees, as well as working procedures, are defined in the Charter. Each Committee regularly reports on its work to the Board. The minutes are communicated to the Board.

The Board Audit Committee (4)

The Board Audit Committee (BAC) assists the Board of Directors in fulfilling its oversight responsibilities by, for instance, monitoring the Nordea Group's financial reporting process, and, in relation thereto, the effectiveness of the internal control and risk management systems, established by the Board of Directors, the CEO and GEM, as well as the effectiveness of Group Internal Audit. The BAC is further accountable for keeping itself informed as to the statutory audit of the annual and consolidated accounts assisting the Nomination Committee in preparing proposals on auditors and reviewing and monitoring the impartiality and independence of the external auditors and, in particular, the provision of additional services to the Nordea Group. In addition, the BAC is accountable for the guidance and evaluation of the GIA.

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

According to the Swedish Companies Act and the Code, the majority of the members of the BAC are to be independent of the Company and the executive management of the Company. At least one of the committee members who are independent of the Company and its executive management must also be independent of the Company's major shareholders. Nordea follows the legal requirement as well as complies with the Code. For more information, see the table on page 51.

The Board Risk Committee (5)

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

The duties of the BRIC include reviewing the development of the Group's overall risk management and control framework, as well as the Group's risk profile and key risk issues. In addition, the BRIC reviews and makes recommendations regarding the Group's risk appetite and limits for market and liquidity risks. Furthermore, the BRIC reviews resolutions made by lending entities concerning credits or limits above certain amounts, as well as strategic credit policy matters and the development of the credit portfolio.

Members of the BRIC are Kari Stadigh (chairman), Lars G Nordström and Robin Lawther, as of AGM 2014. Tom Knutzen was a member until the AGM 2014. Generally, the Head of Group Risk Management and, when deemed important and to the extent possible, the CEO are present at meetings and are entitled to participate in discussions, but not in decisions. Further information regarding the credit decision-making structure for main operations and risk management within Nordea is presented in the section "Risk management", on page 36.

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

The Board Remuneration Committee (6)
The Board Remuneration Committee (BRC) is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This duty includes proposals regarding the Nordea Remuneration Policy and underlying instructions, as well as guidelines for remuneration for the executive officers to be decided by the AGM. The BRC is also responsible for proposals regarding remuneration for the CEO, other members of GEM as well as the CAE and, on the proposal of the CEO, for the Group Compliance Officer and the Head of Group Credit Control.

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

Members of the BRC are Marie Ehrling (chairman), Peter F Braunwalder (until AGM 2014) and Björn Wahlroos. Generally, the CEO and the Head of Group Human Resources are present at the meetings and are entitled to participate in discussions, but not in decisions. The CEO does not participate in considerations regarding his own employment terms and conditions.

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

Further information regarding remuneration at Nordea is presented in the separate section "Remuneration", on page 55 and in Note G7, on page 97.

Meetings, attendance and independence

The table shows the number of meetings held by the Board of Directors and its Committees as well as the attendance

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

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

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

The CEO and Group Executive Management (7)

Nordea's President and CEO is charged with the day-to-day management of Nordea Bank and the Nordea Group's affairs in accordance with the external and internal framework. The internal framework regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board with the planning of Board meetings.

The CEO is accountable to the Board for the management of the Nordea Group's operations and he is also responsible for developing and maintaining effective systems for internal control within the Group. Further information regarding the control environment for risk exposures is presented in the section; "Risk, Liquidity and Capital management", on page 35. The CEO works together with executive officers within the Group in GEM. Presently, GEM consists of six members and the CEO. GEM meets regularly and whenever necessary upon request by the CEO. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Notes of meetings, verified by the CEO, are kept. Further information regarding the CEO and GEM is presented in the section "Group Executive Management", on page 214.

Internal control process

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

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

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

Internal audit (8)

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

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

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

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

External audit (9)

According to the Articles of Association, one or two auditors must be elected by the General Meeting for a term of one year. At the AGM 2014, KPMG AB was re-elected auditor until the end of the AGM 2015. Hans Åkervall is the auditor-in-charge.

Report on internal control and risk management regarding financial reporting

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

Control Environment

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

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

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

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

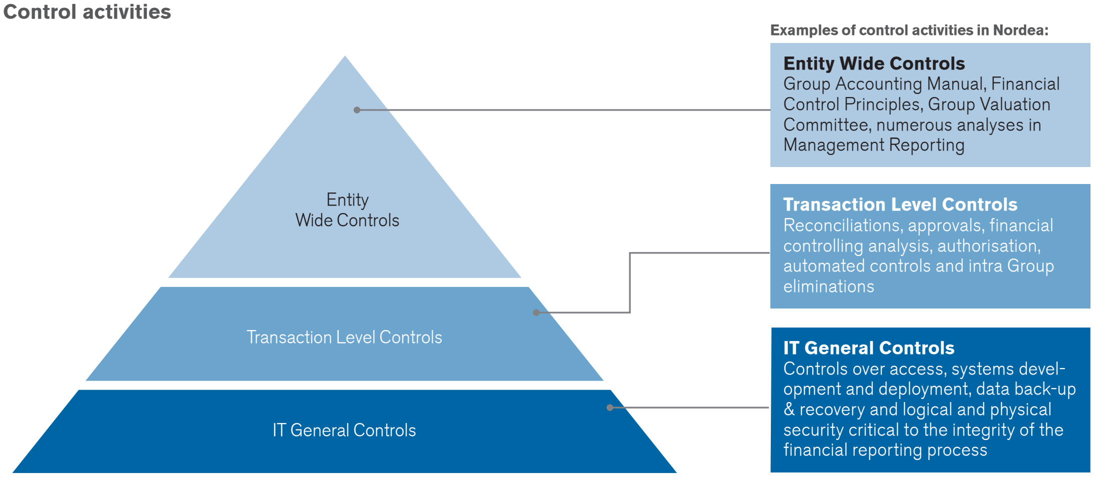
Risk Assessment

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

Control Activities

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

Control activities



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

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

Information & Communication

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

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

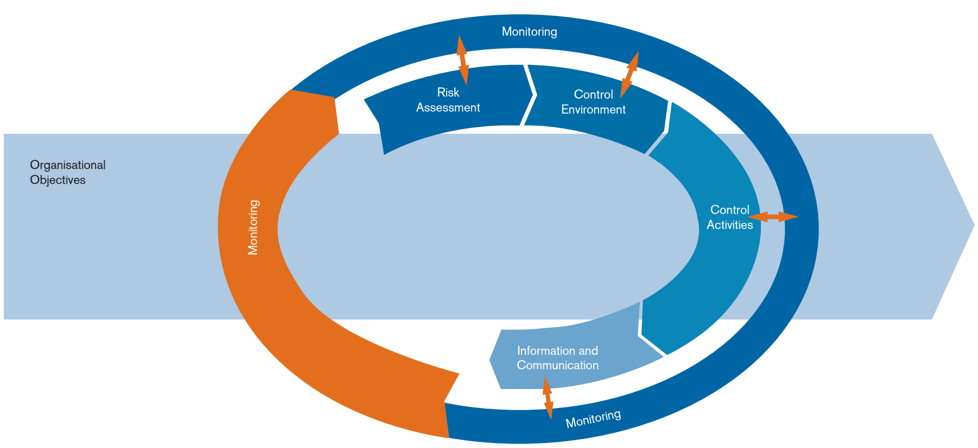
Monitoring

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

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

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

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



Remuneration

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

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

The Nordea Remuneration Policy will

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

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

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

Nordea remuneration components – purpose and eligibility

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

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

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

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

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

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

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

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

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

Risk analysis

Nordea's remuneration components are evaluated annually to ensure compliance with both international and local remuneration guidelines. In addition to the evaluation of Nordea's remuneration components, the risk analysis addressing issues arising with respect to Nordea's Remuneration Policy was updated in March 2014. Key factors addressed include risks related to the governance and structure of the remuneration schemes, target-setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially lead to total compensation that could be considered high.

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

Performance-related compensation for 2014 for employees in the risk analysis defined as Identified Staff will be partially deferred in 2015 to comply with international guidelines and national regulations. Amounts deferred and details about the deferrals will be published on nordea.com one week before the ordinary Annual General Meeting on 19 March 2015.

Audit of the remuneration policy

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

Remuneration for the Board of Directors

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

Remuneration for the CEO and Group Executive Management (GEM)

The Board of Directors prepares the proposal for guidelines for remuneration for executive officers to be approved by the AGM annually. According to these guidelines, the Board of Directors has decided on the actual remuneration for the CEO and members of GEM following a proposal from the BRC. More information regarding the BRC is found in the separate section "Corporate Governance Report 2014", page 48.

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

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

Approved guidelines for remuneration for executive officers for 2014

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

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

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

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

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

Annual remuneration consists of fixed salary and variable salary.

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

Non-monetary benefits are given as a means to facilitate executive officers' performance. The levels of these benefits are determined by what is considered fair in relation to general market practice.

The executive officers shall be offered retirement benefits in accordance with market practice in the country of which they are permanent residents. Fixed salary during the period of notice and severance pay shall in total not exceed 24 months of fixed salary for executive officers.

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

Proposal for guidelines for remuneration for executive officers for 2015

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

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

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

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

Annual remuneration consists of fixed salary and variable salary.

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

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

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

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

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

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

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

Additional information about variable compensation

Profit Sharing scheme

The Profit Sharing scheme is capped and not based on the value of the Nordea share. It is a benefit through which employees receive a share of the profit to encourage sound performance and one Nordea team which, in turn, will lead to better profitability and make working for the Nordea Group more attractive.

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

Variable Salary Part (VSP)

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

A VSP agreement does not exceed a maximum outcome of 25% of annual fixed salary, except for few managers and key specialists within specific areas, where the amount can be a maximum of 50% of annual fixed salary. The responsible GEM member may, in extraordinary cases, approve a VSP agreement up to 100% of annual fixed salary.

Nordea adheres to the Grandparent principle when enrolling employees to any VSP scheme and approving the outcome. Nordea has introduced deferral programmes for the staff in the risk analysis defined as Identified Staff.

Bonus schemes

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

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

Care is taken to ensure that control and compliance staff employed in divisions with bonus schemes are competitively rewarded although not eligible for bonus.

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

Executive Incentive Programme

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

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

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

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

Long-Term Incentive Programmes

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

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