

# Annual Report 2012



” Universal and relationship banking is fundamental to Nordea. Close cooperation with and commitment to customers are based on the competence and values of Nordea’s people.

As one of the largest banks in Northern Europe, Nordea also has a strong focus on capital, cost and liquidity efficiency, risk management and profitability.

This is how we shape the future relationship bank.

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Janne Vangen Solheim, CEO of Janus AS and Arne Fonneland, Managing Director of Janusfabrikken AS, large corporate customer in Norway.

**“Nordea really understands local businesses as well”**

### Retail Banking

Retail Banking offers full-range financial services to household and corporate customers. **page 14**



Henrik Andersen, CFO of ISS A/S, wholesale banking customer in Denmark.

**“Having your bank so close, that's unique”**

### Wholesale Banking

The large multinational corporates, institutions and shipping and offshore customers are served by customer teams with senior relationship managers. **page 22**



Heikki Kyöstiä, Private Banking customer in Finland.

**“A strong bank with international business”**

### Wealth Management

Nordea is the region's largest asset manager, with services to private banking customers, institutional customers and within Life & Pensions. **page 30**

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

# Shaping the future

Nordea continues to deliver on its relationship strategy. Not only were we named Best Bank in Western Europe by *The Banker*: more importantly, we served a record number of relationship customers, leading to the highest capital and highest operating profit ever. We increased income and reduced costs and risk-weighted assets in an environment of eurozone turmoil, low interest rates, increased regulatory costs and fierce competition. In 2012, Nordea laid the foundation for shaping its future relationship model by enhancing efficiency while helping customers to navigate the uncertainty and challenges of the recession in Europe.



## Dear Shareholder,

2012 was a challenging year in many respects – for society, companies, households and banks. The political actions necessary to resolve the sovereign debt crisis were taken and had stabilising effects on public deficits and debt in Europe. However, fiscal austerity and weak consumer confidence led Europe to lean into a recession, with increasing unemployment, low interest rates and volatile markets. Several European banks adapted to new regulations by reducing credits and loans, which constrained growth further.

Nordea chose a different path. On the base of our stability, scale and diversified business model, we were able to increase efficiency while supporting a growing number of customers and ensuring a sustained contribution to the development and growth of the societies in which we operate.

## Our 'Relationship Strategy' has continued to deliver

Our values, *Great Customer Experiences, It's All About People and One*

*Nordea Team*, continue to be our guiding lights. In 2012, we took further steps to empower our staff and develop tools to add value in each piece of advice provided. We are proud that these efforts contributed to an increase in household relationship customers with 85,000 new customers to the bank and growth in corporate business volumes of EUR 2bn.

- We held close to 2 million advisory meetings with customers and enabled 300,000 families to buy a new home through new mortgage loans. The total increase in loans and credits to households was 6%.
- We held advisory sessions with 300,000 small and medium-sized enterprises, supporting our clients through the financial turmoil and economic uncertainty.
- We enabled EUR 120bn in corporate bonds and syndicated loans to companies in addition to bilateral loans, making investments and new jobs possible. We have maintained our market-leading position among the largest Nordic corporate customers,

with significantly more lead customer relationships than any other Nordic bank.

- We were entrusted with more of our customers' savings and investments than ever. In 2012, assets under management surpassed the EUR 200bn milestone.

In total, the Nordea Group's income grew by 8% in 2012 with a reduced number of employees while costs and risk-weighted assets were reduced. The hard work and complete dedication of Nordea's 32,000 employees clearly paid off, providing Nordea with a strong foundation as we now look ahead to the post-crisis European banking market.

## Efficiency for the benefit of customers

Nordea's relationship strategy rests on its leading value – to create great customer experiences. This can only be achieved if everybody at Nordea always does their utmost for each customer. Equally important is ensuring Nordea's stability and reliability.

# ” Our financial stability is more important than ever to help people and companies with the financial tools they need to shape their own future

Each customer must know that they can trust our advice and that we will be there for them when they need us the most – not least in periods of financial turmoil and economic decline. Efficiency is fundamental in our customer-based strategy. Only by achieving a return on equity clearly above the market's cost of capital can we ensure low funding costs and our long-term ability to support our customers and finance their plans and projects.

In 2011, we therefore initiated action to ensure cost efficiency by executing on the flat cost target for the Group and cost ceilings for each unit of the bank. The number of employees was reduced, mainly by voluntary agreements, and a broad range of initiatives were taken to reduce costs in the bank's operations. In parallel, a broad efficiency enhancement programme for risk-weighted assets was initiated, comprising measures to create capital-efficient products and solutions and improved collateral, thus reducing the risk of default and loss given default.

Throughout the year, we have developed our products and services in many ways to improve customer experiences and ensure efficient and competitive offers. We have taken significant steps in redesigning our distribution model by improving advice capacity at branches and increasing the service range of contact centres, the internet bank and mobile bank.

Our mobile apps' new features have been well received and the number of active mobile bank users has increased by more than 100%. This is a customer-friendly and cost-efficient way of delivering banking services while at the same time enabling our customers to do their banking business wherever and whenever they desire. And they do. On average, a mobile bank customer visits his or her bank once every two days. In 2012, we surpassed 100,000 likes on our Facebook pages, enabling us to obtain rapid feedback and deeper understanding of the customers' desires and wishes.

Unfortunately, instability in the IT systems caused problems for many

customers in the spring. Full focus on finding solutions led to a clear improvement in the autumn. However, continued hard work will be necessary in 2013 to ensure customers' ability to use their netbanks and mobile banks at all times.

In 2012, we reduced the number of funds and developed management and pricing models to sharpen our offerings and improve performance. Life products were rendered more capital-efficient. The initiatives have contributed to strong investment returns, increased levels of service and all-time high assets under management.

Our service for the largest companies was reorganised to enable us to help resolve any financial issue faced by our clients even faster. Our teams work across borders and business units to bring the best expertise the bank can offer to resolving any specific issue. We developed capital-light products which meet our clients' needs under the new banking regulations and continued to attract a growing share of ancillary business among our corporate clients.

Our achievements in 2012 gained widespread recognition at the end of the year. We were named the safest bank in the Nordics by Global Finance, and Bank of the Year in Western Europe by The Banker, thanks to our combination of efficiency measures and maintained focus on customer relationships.

## Shaping the future customer relationships

We are proud of our achievements and the awards we received in 2012. More than this, however, we are humble. To continue to attract even more customers and grow income, we will need to increase efficiency further, ensure a healthy profitability and strong capital generation. In 2013, we will take further action to stay at a core tier 1 capital ratio above 13%, in line with our new capital policy. We have set an ambitious financial target of a return on equity of 15% in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

The 2012 results confirm our solid foundation. The scale and diversification of the Group has given one of the most stable performances in terms of return on equity of any large bank globally in the last five years. In each market, we have achieved absolute top-league results among banks, confirming our efficiency and the attractiveness of our customer relationships and offerings.

Our flat cost policy for 2012 will continue in 2013 as a key lever for increased operational efficiency and competitive customer offerings. Further measures to reduce risk-weighted assets will be taken, enabling a build-up of capital while continuing to grow our customer base and income. Our prudent approach to risk, which has led to relatively small loan losses through the financial crisis will be maintained and guide us throughout the prevailing economic uncertainty.

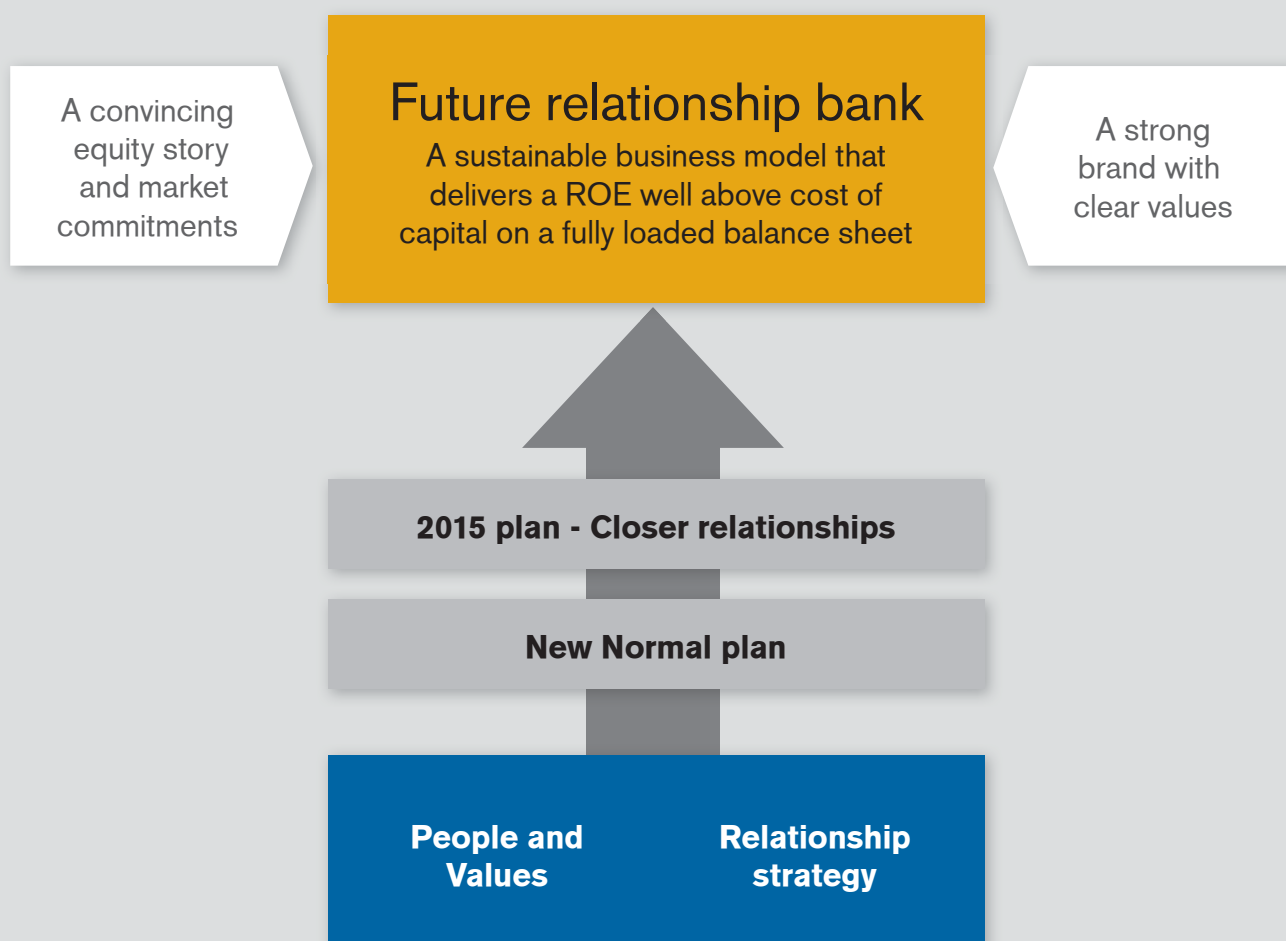
Nordea can only ensure great customer experiences, sustained stability and a positive contribution to financing growth through high operational efficiency and a strong customer focus. In uncertain and challenging times for many customers, our financial stability is more important than ever to help people and companies with the financial tools they need to shape their own future.

This is how we fulfil our mission  
– Making it possible!

Best regards

Christian Clausen

# Shaping the future relationship bank



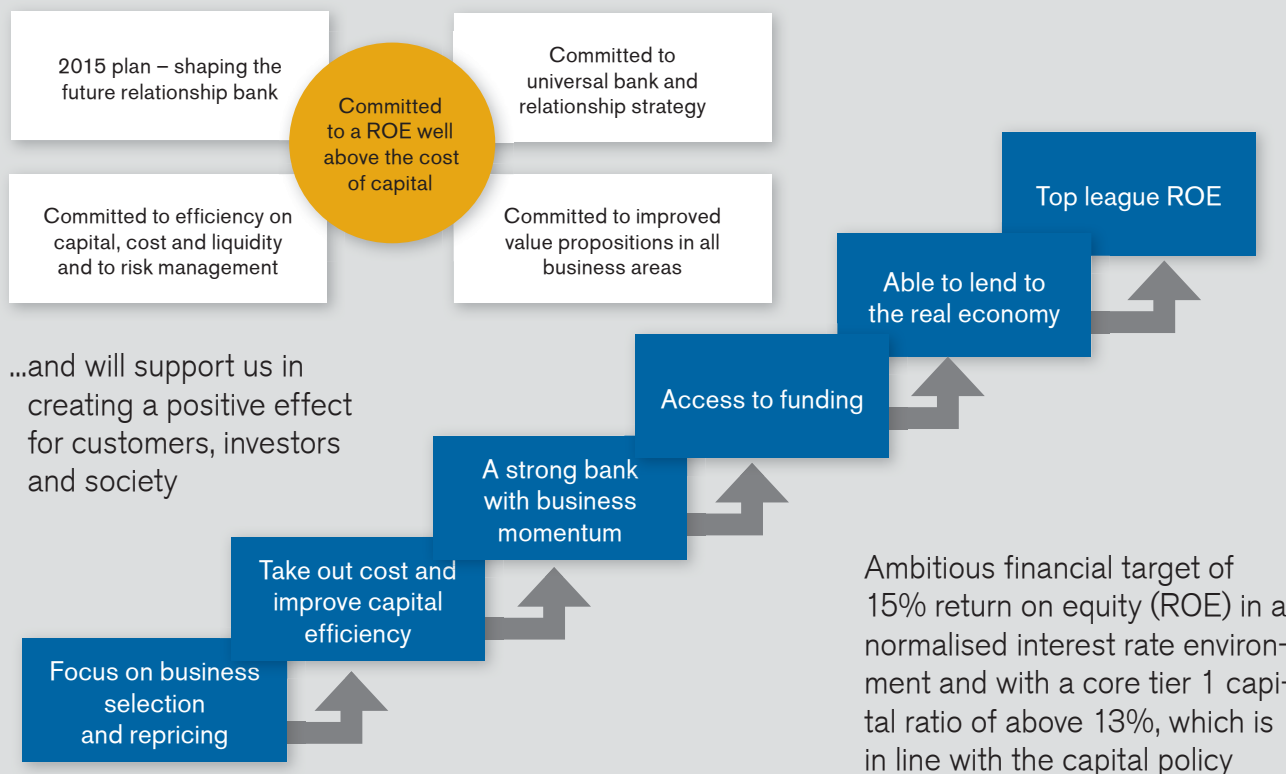
” Our vision is to be a Great European bank, acknowledged for our people, creating superior value for our customers and shareholders.

” Our size, position and strong focus on operational excellence, innovation and relationship banking enable our customers to be as brilliant as they need to be.

” Our aim is to create great customer experiences. That is what our relationship banking strategy is all about. Enhanced relationships lead to deep insight that lower our risk and cost of capital and in turn add value for the customer.

## Key factors driving Nordea's performance

The plan is the natural extension of the New Normal plan...



## Macroeconomic, financial market and regulatory environment

The environment in which Nordea operates is characterised by a challenging macroeconomic development, volatile financial markets, a low-interest-rate environment and an ongoing and increased focus on the new regulations.

### Macroeconomic development

Global economic growth outlook weakened further during the year. The Nordic economies continued to perform relatively well compared to the rest of Europe, benefitting from overall sound public finances, but still with differences within the region. Denmark, which is still the most affected country, followed the euro-zone into recession. Finland experienced slightly negative growth, while Norway maintained stronger growth. Although Swedish growth has decreased, it remained positive.

Unemployment has been unchanged

in the region, while consumption growth slowed down, with Denmark remaining weak. A positive development has been the stabilisation of house prices in Denmark, while the other Nordic housing markets remain solid.

### Developments on financial markets

Developments on financial markets were primarily driven by additional central bank initiatives. Market interest rates fell further and remain low. Equity markets rose substantially, but concerns over the implementation of proposed solutions for Europe persist. Strong investor demand for Nordic sovereign debt persisted throughout the year.

### New regulations

The CRDIV and CRR in the EU, with higher capital and liquidity requirements, are expected to be finalised

and implemented during 2013. Banks will be required to hold more core tier 1 capital, although uncertainty remains. Both higher capital requirements and higher demands on liquidity imply considerably increased costs for banks, the financial sector and for the business environment.

Furthermore, intense discussions are under way globally and in the EU concerning recovery and resolution regimes, including the possible introduction of bail-in capital, as well as ringfencing of specific activities and regarding a single supervisory mechanism, the EU Banking union.

Nordea is in a strong starting position, but the challenging low-growth, low-interest-rate and macroeconomic environment as well as new regulatory environment are being addressed through the 2015 plan, which follows on from the New Normal plan, shaping the future relationship bank.

## Key financial figures

### Total operating income

+8%

(+2% last year)

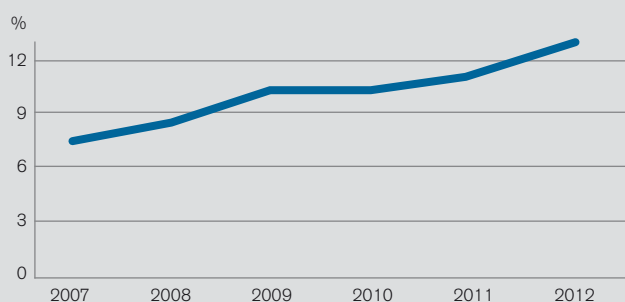
### Operating profit

+11%

(excluding restructuring provision 2011, otherwise +16%)

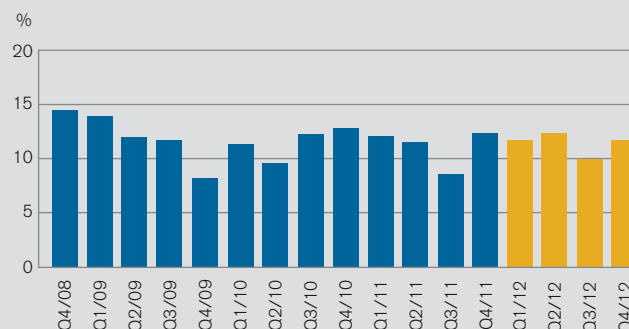
### Capital position, core tier 1 capital ratio

excluding transition rules



### Return on equity (ROE)

for the third quarter 2011, excluding restructuring provision



### Total equity, Group

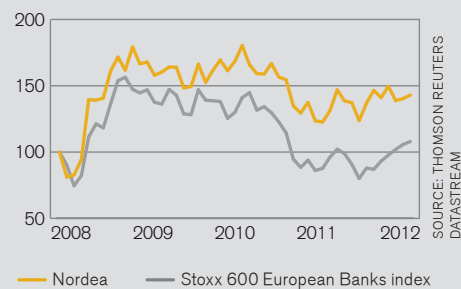
EUR 28,216,000,000

(+8% compared to last year)

### Income statement and balance sheet items

Income, profit and business volumes, key items	2012	2011
Net interest income, EURm	5,752	5,456
Net fee and commission income, EURm	2,504	2,395
Net result on items at fair value, EURm	1,784	1,517
Equity method and other income, EURm	196	133
Total operating income, EURm	10,236	9,501
Total operating expenses, EURm	-5,186	-5,219
Profit before loan losses, EURm	5,050	4,282
Net loan losses, EURm	-933	-735
Operating profit, EURm	4,117	3,547
Net profit for the year, EURm	3,126	2,634
Loans to the public, EURbn	346.3	337.2
Deposits from the public, EURbn	200.7	190.1
Assets under Management, EURbn	218.3	187.4
Total assets, EURbn	677.4	716.2

### Nordea share performance compared to European banks, 2008-2012



” Nordea is one of the largest financial services groups in Northern Europe with a market capitalisation of approx. EUR 30bn, total assets of EUR 677bn and a core tier 1 capital ratio of 13.1%. Nordea is the region's largest asset manager with EUR 218bn in assets under management.

Nordea – large customer base and well-diversified operations

11 mn total number of customers

3.2 mn Gold and Private Banking customers. 5% annual growth rate

625 th corporate customers, 9% annual income growth since 2007

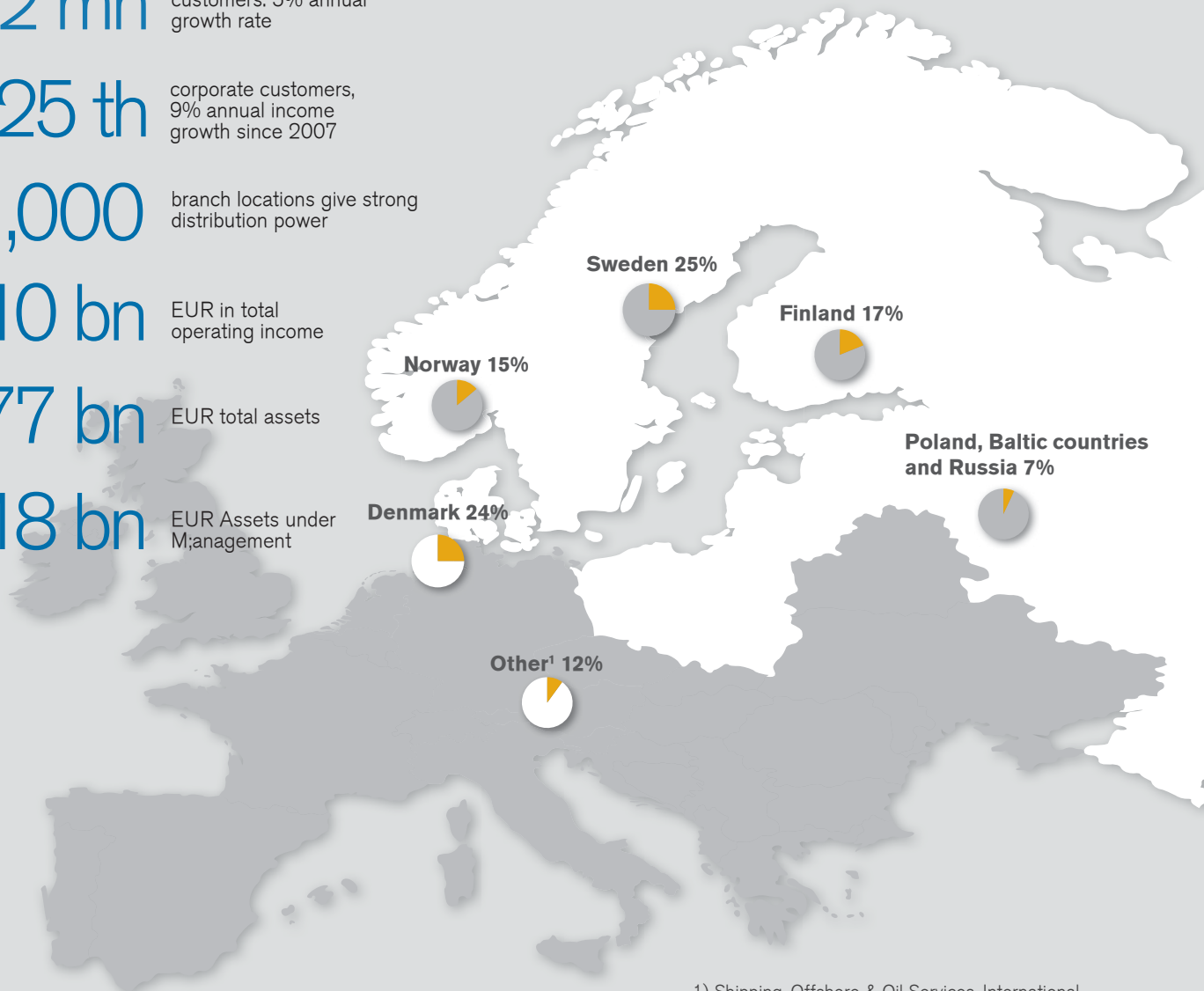
1,000 branch locations give strong distribution power

10 bn EUR in total operating income

677 bn EUR total assets

218 bn EUR Assets under Management

Total operating income distribution, %



1) Shipping, Offshore & Oil Services, International Private Banking and Group functions.

## Awards and results 2012



*Nordea received the award Bank of the Year in Western Europe 2012 from FT's The Banker – and also Bank of the Year in Denmark and in Finland.*

### ■ Awards 2012

- Best banking group in Denmark, Norway and Sweden, second year in a row – the UK magazine World Finance.
- Best private banking service provider in the Nordic and Baltic region, for the fourth year in a row – Euromoney.
- The best bank and the best investment bank in Finland – Euromoney.
- Best Regional Cash Manager: Nordic and Baltic region – Euromoney.
- Best Trade Finance Bank 2012 in Denmark, Finland and Norway – Global Finance Magazine
- Most Innovative New Solution: Nordea's Global Cash Pool – Global Finance magazine
- Best Bank for Risk Management in Nordic region – Global Finance
- Best Debt Bank in the Nordic region – Global Finance

- Best Provider of Money Market Funds in the Nordic region – Global Finance magazine
- Nordea again named the safest bank in the Nordic region by Global Finance and as 24th safest globally.
- Best Nordic equity team, 2012 – Starmine
- Nordea is named by the magazine The Banker as Bank of the Year 2012 in Western Europe.
- Nordea in Denmark and in Finland also named Bank of the Year 2012 by The Banker.

### ■ Results 2012 – strong capital position, flat costs and growing income

2012 showed continued high total income, up 8% compared to 2011 to a record level. Net interest income increased 5% compared to last year. Lending volumes increased 3% and deposit volumes 6%.

Net fee and commission income increased 5% and net result from items at fair value increased by 18% from last year.

Total expenses were down somewhat in local currencies excluding restructuring costs in 2011 and excluding performance-related salaries and profit-sharing and staff costs decreased 2%.

Net loan losses increased 27% to a loan loss ratio of 28 basis points, following higher loan loss provisions in shipping and a continued elevated provisions level in Denmark.

Operating profit increased 11% from last year, excluding the restructuring costs last year, and reached an all-time-high level of EUR 4,117m.

The core tier 1 capital ratio excluding transition rules increased to 13.1%, up 1.9 %-points from last year.

# Strategic direction – shaping the future relationship bank

Our relationship strategy and leading market positions have created significant value for all our stakeholders throughout the financial crisis. This has been achieved by focusing efforts on customers' needs in a cost-efficient manner, managing our capital base and maintaining our low risk profile and low earnings volatility. The needs of customers and our relationship strategy are also the starting point for our ambitious financial plan of 15% return on equity in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

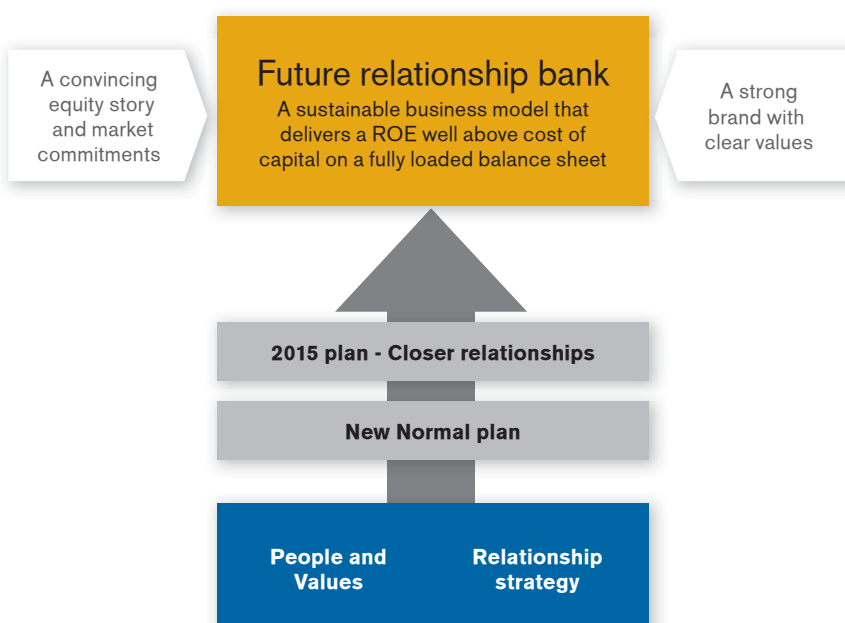
Nordea is a universal bank guided by its established customer-centric and advisory-led relationship strategy. The main pillar supporting this strategy is our awareness that our success and the purpose of our operations start with meeting the needs of our customers. Moreover, our long-term strategic objectives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

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

Our roadmap towards the future is a result and reflection primarily of the needs of our customers and the chal-

lenging macroeconomic and regulatory environment in which we operate. Our work begins with the customer by providing Great customer experiences and holistic financial solutions in a low-risk, efficient and diversified manner. In operational terms, we constantly improve our cost and capital efficiency in order to maintain a sustainable operating model 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 shape the future of Nordea's relationship business model to deliver an attractive return on equity and top-tier total shareholder return. Customers' needs and our relationship strategy are also the starting point for our ambitious financial plan to earn 15% return on equity in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

In order for our banking model to



# ” Relationship banking and financial advice are key to the strategy and to creating great customer experiences

evolve going forward, we are continuing to work with three main focus areas to reach our objectives and create a sustainable business system:

- **Balanced customer focus.** We strive to provide a balanced customer focus, building on a customer-centric organisational design, in which we deliver the right products in the right manner. In all of our business areas, we provide a full suite of advice-driven products piloted by client demand and regulatory direction. We constantly adapt to our changing environment to ensure that all our products are fairly priced based on the real cost of providing them.
- **People focus.** We aim to nurture clear values and principles, reflected

in the objectives and incentives we set, how we lead and listen and how we develop and support our people. Our economic profit framework remains at the heart of how we manage and support our people. It has been and will continue to be developed to adjust to the new normal environment and its regulatory requirements.

- **Optimised value chain integration.** We aspire to adopt and develop best practice and remain loyal to simplicity, transparency and reducing complexity in order to manage our resources while maintaining focus on our customers and their goals. Our three value chains and business areas are designed to support the focused relationship strategy. Hav-

ing 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.

## Household strategy

Household customers are divided into four segments based on their business with us. For each segment, a 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

## 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

product solutions to customers, thus ensuring loyalty, brand value and increasing business and income. Prices are transparent and generally non-negotiable. This is normally viewed as a win-win situation. We have a broad and high-performing product range, a highly skilled product organisation and strong distribution power. Product development is geared to reducing complexity and developing products with a low capital requirement in order to meet both the demands of customers and regulatory requirements. Our savings product offering is designed to take account of customers' wealth, their 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 serving. Proactive contact with our customers is conducted by local branches and supplemented by contact centres, online services and the mobile bank. We aim at having recurring advisory meetings with all existing and potential relationship customers, taking their entire finances and long-term preferences into account in order to provide a comprehensive financial solution.

**W**e are a universal bank with a focused relationship strategy. The financial plan is set in order to shape the future of Nordea for sustainable profitability and efficiency, closer customer relationships and a solid capital position.

### Corporate strategy

Corporate customers comprise four segments based on their business potential and banking needs complexity. For each segment, we have developed a value proposition including contact policy, service level and

### Segmentation and value proposition – Household customers

Segment	Customers, 000s	Criteria and Value proposition
Private Banking	106	Assets > EUR 250k The best Nordea has to offer
Gold and Premium	3,120	Volume > EUR 30k, no. of products > 5 Named advisor – priority in access – best fixed price
Silver	1,600	Volume > EUR 6k, no. of products > 3 Personal service when needed – favourable price
Bronze	4,200	Active customer Basic service – fair price

### Segmentation and value proposition – Corporate customers

Segment	Customers, 000s	Value proposition
CIB	12	Strategic partnership – sponsor, customer team and named adviser – tailored, individual solutions
Large	30	Partnership – named adviser and specialists – individual solutions
Medium	90	Business relationship – named adviser – individual solutions – standard products
Small	490	Personal relationship – basic service – efficient handling

product solutions to provide comprehensive financial solutions and ensure “house bank” relationships. Relationship managers take a holistic view of the customer’s situation and targets and organise the relationship accordingly. Our strength and size as a banking group enable us to offer unparalleled solutions to the benefit of our corporate customers.

The strategy for our largest corporate customers has proven robust during the ongoing transformation of our industry. The local sales organisations combined with a global production platform enable us to reap the benefits of both relationship banking and economies of scale. We are committed to becoming the leading bank in the wholesale segment in all our Nordic markets. For customers in the Large and Medium segments, we are continuing to integrate corporate risk management products and capital market transactions into the basic product offering. Within the Small segment, the adviser profile and service concept Small Entrepreneurs is being expanded to meet business and personal banking needs in the segment.

#### ■ Customer activity in 2012

- We held close to 2 million advisory meetings with customers.
- During the year, we welcomed 85,000 new Gold, Premium and Private Banking customers from outside the bank.
- Each working day, more than 8,000 people visited a Nordea branch and received a comprehensive overview of their personal finances and a clear view on how to make their ambitions possible.
- We met with 300,000 small and medium-sized corporate customers and were able to help many entrepreneurs adjust to both sluggish demand and effects of new banking regulation.
- We supported large and multinational companies in finding financing on the financing markets and conducted issues of EUR 120bn of corporate bonds and syndicated loans.
- We maintained our market-leading position among the largest Nordic corporate customers, with significantly more lead customer relationships than any other Nordic bank, and assisted corporate and institutional customers in hedging of their financial risks and cash flow exposures.
- Our assets under management (AuM) have never been larger and now exceed EUR 218bn.
- The number of frequent mobile bank customers more than doubled from the start of the year to almost 800,000.

# Business Area

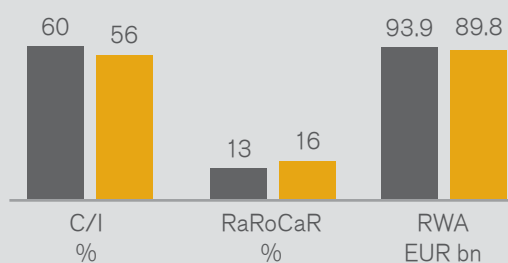
## Retail Banking

### Performance 2012 and Strategic direction

- ✓ 5% income growth, driven by net interest income and net fee and commission income. Deposit volumes grew while demand for lending was low. High interest in investment products supported net fee and commission income. Net loan losses up 10%, but remains firmly under control. Operating profit increased 19%.
- ✓ Diversified franchise delivering growing income with low volatility.
- ✓ Closer relationships and increased share of wallet.
- ✓ Distribution optimisation.

### Key figures

■ 2011 ■ 2012





Janne Vangen Solheim, CEO of Janus AS and Arne Fonneland, Managing Director of Janusfabrikken AS, corporate customer in Bergen, Norway.

Janne Vangen Solheim, President of Janus AS:

# “Local business insight and mutual trust make Nordea a part of our future”

When Arne Fonneland and Janne Vangen Solheim met Nordea two years ago, they met genuine people interested in working as a team and building a platform of trust to the benefit of both parties.

The Janus factory in Bergen has been in production since 1895 and is one of Europe's largest sites of its kind, manufacturing woollen underwear and socks for children and adults. Janus is the market leader in Norway and well-known for its brand within fibre textile. Two years ago, the CEO of Janus Janne Vangen Solheim and Managing Director of Janusfabrikken Arne Fonneland saw a need to change their banking relations.

## Interest in financing Janus

“The company's ownership structure had changed and we took the opportunity to ask several banks if they were interested in working with us,” says Arne Fonneland.

When they met with Nordea, the senior relationship manager almost immediately confirmed Nordea's interest in being a part of financing Janus' business.

“That was a great customer experience,” says Arne Fonneland. “Nordea showed a real interest in our business and we felt that the people we met were genuine - not just bankers but individuals who really saw us and our business.”

Since then our relationship has grown into a strong platform of trust. “We have so many projects running in the company and need a bank that

is on top of everything. Nordea is always fully aware of what is going on in our business”, continues Arne.

Janus uses the whole palette of financial services that Nordea offers, such as short-term credit lines, foreign exchange, trade finance and pension products as well as internet store and credit card solutions.

## Senior relationship manager structure a great advantage

For Arne Fonneland, the primary advantage of working with Nordea is the structure with one main contact – the senior relationship manager.

“He knows our situation and our opportunities very well, which means he can react quickly. We don't need to explain everything from the beginning. This simplifies communication and saves time.”

CEO Janne Vangen Solheim agrees.

“We are running a pretty large business and we really need a bank that can act quickly. Nordea really understands local businesses as well, which is key. They are a part of the local business community and make us better at what we do. Our relationship is very honest, open and we trust each other.”

Janne Vangen Solheim specifically remembers one particular occasion.

“It was when we got an opportunity to buy another company. The company was not in great shape, but we saw the prospect of a very good deal. We called Nordea and told them that we wanted to go through with the acquisition. They trusted us and arranged the financing. That was a great customer experience.”

## Involved in our plans

She continues, “another great customer experience is when Nordea visits our factory. They walk around and talk to all the people at the factory, not only the management, but everyone on the floor as well. This is probably a reason why they are always updated and well aware of what is going on at our business. To be met with that attitude and competence is fantastic. It is unique.”

Janus is a growing company with many plans for the future.

“We have extensive strategic plans for the future, and are open with Nordea about them. We discuss how the business can be developed further together. Nordea is involved in our plans for the future.”

“The most important matter towards the customer is our predictability and ability to cover the customer's needs.”

Helge Eide is Senior Relationship Manager in Nordea's corporate service unit in Bergen. He is the centrepiece of Nordea's team of professional and highly skilled personnel that covers the banking business needs of Janus.

From the start, he was able to confirm Nordea's interest in financing Janus.

“Nordea has been able to deliver credit and loan facilities during the whole of the financial crisis. Our wide range of products and professional special-

ists within various areas are also very important. The same could be said about the professional and active service attitude of the customer team and of the team's role as a discussion partner,” says Helge Eide.

” Keeping up business momentum and continuing to support our good customers’ good projects, while focusing on controlling and optimising scarce resources

## Retail Banking

Retail Banking serves close to 10 million household and corporate customers in eight markets. Household and corporate customers are served on all financial needs and the ambition is to be a full service provider to our customers. The business area incorporates the whole value chain including sales force, channels, product units, back office and IT.

Retail Banking operates under one strategy, one operating model and one governance system in all markets. Our focus is based on a common superior banking approach to be delivering the best customer experiences in each of our markets.

## Strategy

Retail Banking’s ambition is to create a leading retail banking franchise in Europe – in terms of profitability, efficiency and customer experience. The plan builds on a strong commitment to relationship banking and a controlled approach to developing this strategy from the current branch-centric model to a true multichannel relationship retail bank.

For our relationship customers, we further develop our sales model with named advisers proactively contact-

ing customers with further business potential, while we expand the opportunities for 24/7 banking with access to competent advice and self-guided advice and service in our online channels: mobile and Internet.

Our plan is to keep up business momentum and continue to support our good customers’ good projects while focusing on controlling and optimising scarce resources.

Nordea is open for all customers. Clear segmentation, differentiated business models, emphasis on servicing the full customer wallet and fair pricing are the tools to make all customer relations profitable.

Operationally, we will measure our business momentum in terms of asset productivity rather than top-line, directing attention to the share of wallet and optimal pricing.

In the household business, we will continue to focus on acquiring new Gold and Premium customers. Household prices are generally non-negotiable, which, together with centrally supported CRM, increase multichannel opportunities, and strict resource allocation create a highly efficiency sales model.

In the corporate business, focus is on profitability at customer level by securing full wallet share at the right price reflecting the risk in the individ-

ual customer relationship.

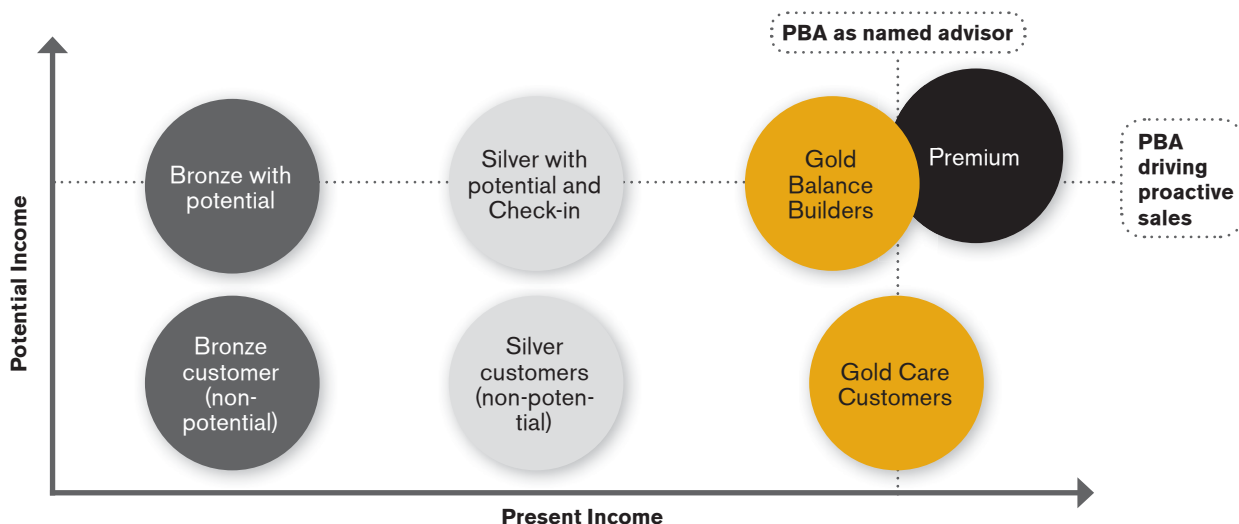
Re-pricing will continue to be on top of the agenda and the attention will be broadened from mainly focusing on lending margins to an equal focus on all pricing elements including fees and deposit margins.

Through a number of cost, capital and funding efficiency measures, moderate business growth will be possible, keeping cost, RWA and funding gap flat for at least two years.

The core sales staff and branch network have been adjusted to the future need with reduced branch locations, sharply reduced locations offering manual cash handling and reformatting the branch network allocation resources to advising relationship customers. The process of optimising the distribution setup will continue, driven by market opportunities to adjust to changing customer behaviour. However, the main driver for further cost efficiency in Retail Banking will come from digitalising and optimising processes end-to-end, increased efficiency in supporting functions and further changing customer behaviour related to cash handling.

Increased capabilities in Internet and mobile banking and digitalising customer processes using digital archiving and signatures will

Customer strategy based on income and potential



enhance the customer experience, increase sales force efficiency and decrease the cost of paper handling in front and back office.

Manual processes will be further centralised in national production units and off-shored to the Nordea Operation centre in Poland.

The RWA efficiencies are concentrated on three headlines:

- Business selection on customer level to allocate capital to most profitable business
- Capital-optimize individual customer relationships securing less capital-intensive solutions
- RWA efficiency in models and internal processes.

## Corporate customers – Relationship strategy

### Corporate customers – optimising customer relationships

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

Nordea is currently the house bank of the main part of its corporate customers and the ambition is to increase the share, which in turn generates further business growth.

Different type of products offered include: lending, risk management products, transaction products, cash management, corporate netbank, trade and project finance, custody services, finance products (leasing), sales

and asset finance, efficient solutions for working capital financing, car financing, need for floor plan solutions at car retailers and equipment financing for vendors and manufacturers of industrial equipment.

## Household customers – Gold segment

### Households – Increased customer insight

In order to fulfil our ambition of creating great customer experiences, Nordea has developed a unique contact policy and a clear segmentation, enabling targeted and relevant contact with our best customers. The relationship banking for Gold and Premium customers has been developed even

further with named advisers for all customers and the content of the sales meetings has been in focus. A consolidation of the number of branches to enhance operational excellence has released time for the advisers to concentrate on developing and deepening the relations with their customers.

### Business development: increasing the Gold customer base

The focus on developing the potential in the customer base and acquiring new customers continued to be successful with a 2% net increase in the number of Gold and Premium customers.

Around 85,000 Gold and Premium customers were new customers to Nordea. This reflects Nordea's strong brand and competitive offering through the loyalty programme and advisory services.



“Our success is founded on a strong commitment to relationship banking”

Michael Rasmussen is Head of Retail Banking.

“The success of Nordea's retail business is founded on a strong commitment to relationship banking. We take customer needs as our starting point, have a holistic approach to serving all customer needs and act proactively in the customers' best interest. We will continue to build on our strong relationship banking and develop this from a branch-centric to a multichannel relationship model.

Despite the economic environment, we come out of 2012 as a stronger bank. We have attracted many new good customers and we have managed to meet still more of our customers, leading to increased income per customer. At the same time, we have significantly increased our cost and capital efficiency,” says Michael Rasmussen, Head of Retail Banking.



Kjell Larsson, Gold customer at Nordea, together with branch manager Kent-Ove Hjærtström.

*Kjell Larsson, Segeltorp, Sweden:*

## “A friendly attitude and high expertise are most important for a bank”

**Kjell Larsson from Segeltorp has had many positive customer experiences with Nordea. He feels that the bank really helped him and his partner to make a dream come true. Nordea was there for them when others were not.**

Kjell Larsson's contacts with Nordea started when he and his partner saw the chance of a lifetime to buy a shop. At the time, Kjell was a customer of a different bank, and naturally turned to them to explore the possibility of borrowing money, but to no avail.

“So, we turned to Nordea. My partner, Birgitta, was a customer there. They had a completely different attitude. Even though I hadn't been a customer for long, they were very helpful indeed and sorted out the papers and signatures that very day,” says Kjell.

Kjell and Birgitta met the branch manager at the first meeting, and after a thorough review and discussion, the entire deal was done that very day.

“This was a natural deal. Both were working so both had an income besides the shop. Also, only a small proportion of their home was mortgaged,” says Kent-Ove Hjærtström, now branch manager of the Solna branch.

That was ten years ago. Now, the shop has been sold, and Kjell is a pen-

sioner and no longer works. He is still a Gold customer of Nordea, where he has gathered all of his banking business.

Kjell has regular meetings with branch manager Kent-Ove Hjærtström. When something needs doing, however, they are in closer contact.

“As branch manager, I don't have deep specialist knowledge any longer, so depending on the matter, Kjell also meets with specialist advisers such as our savings or pensions specialist.”

### **Always given a friendly service by Nordea's people**

Kjell feels that he is always given a friendly service by Nordea's warm and welcoming people.

“Even when you're not completely up to speed with everything, you're always given a friendly service by warm and caring people. I always feel welcome, which is great. It is very positive”, says Kjell.

He also emphasises the importance of obtaining expert advice and having everything properly explained, so he knows exactly what to expect.

“When I leave a meeting, it's important to me to feel I've been given help.”

This is completely in line with how branch manager Kent-Ove Hjærtström views his role.

“It's all about ensuring that customers feel important and attended to. When customers leave a meeting, they should feel that Nordea's people care about their situation, that the meeting made a difference to them and that they would gladly recommend us to friends and acquaintances,” concludes Kent-Ove.



*Kent-Ove Hjærtström is branch manager in Solna, outside Stockholm, Sweden.*

### **“It's all about ensuring that the customer feels important and attended to”**

Kjell Larsson has regular meetings with branch manager Kent-Ove Hjærtström.

“As branch manager, I don't have deep specialist knowledge any longer, so depending on the matter, Kjell also meets his Personal Banking Advisor or our savings or pensions specialist.”

Kjell's view of a good bank is completely in line with how Kent-Ove Hjærtström views his role.

“It's all about ensuring that customers feel important and attended to. When customers leave a meeting, they should feel that Nordea's people care about their situation, that the meeting made a difference to them and that they would gladly recommend us to friends and acquaintances,” concludes Kent-Ove.



Growth in income of 5% in 2012,  
lower total expenses and strict control  
of risk-weighted assets

## Business development

The transformation of the branch network in the Nordic countries was finalised during 2012. Nordea has moved from traditional “mixed” branch formats to formats that focus on either advice or service. This implies a strong customer focus, new ways of working and a larger proportion of advisory branches. 65% of the 770 branches are in “focused” formats. The corresponding transformation of the branch networks in the Baltic countries and Poland is ongoing and scheduled to be finalised by the end of 2013.

The number of Gold and Premium customers amounted to 3.12 million, an increase of 56,000 during 2012. Close to 2 million household and corporate advisory meetings were held, an increase of 4% compared to the year before.

The number of manual transactions continues to decrease and was down by 21% in 2012 compared to 2011. Nordea accommodates this by reducing the number of manual cash outlets. 55% of the Nordic branch office locations offer manual cash services.

## Result

Total income increased 5% compared to last year. A positive development in lending spreads was a main driver for the increase in net interest income, while higher funding costs had a negative impact. Deposit volumes grew while demand for lending was low, especially from corporate customers, given the present macroeconomic environment. High interest in investment products supported the growth in net fee and commission income.

Following the efficiency initiatives executed throughout the whole value chain, total expenses decreased 2% (4% in local currencies) and the number of employees (FTEs) was down 7%.

## Banking Denmark

The number of externally acquired Gold and Premium customers was more than 28,000 for the full year 2012. The Danish Netbank welcomed customer number 1 million in December.

Continued uncertainty and low consumer confidence have resulted in moderate household consumer spending and a continuous focus on debt reduction. Corporate market activity level is moderate with investments at a low level, though there was a relatively high inflow of corporate customers during the year.

Loan losses remained at an elevated level due to the prolonged difficult economic environment.

## Banking Finland

High business momentum was maintained with increased customer meeting activity. Customer meeting activity increased and customer acquisition stayed at a good level. The number of externally acquired Gold and Premium customers was 19,900.

Due to the subdued macroeconomic environment and consumers' cautiousness in the mortgage market, customer demand changed from being lending to savings oriented. In the low interest rate environment, the high number of advisory sessions resulted in strong sales of investment products. External factors such as new bank regulations have started to affect price levels.

## Banking Norway

There was a strong income trend throughout the year with focus on improved risk pricing and a positive price development for corporate lending. Adaption to future legal requirements and regulations is on-going. Competition for corporate deposits stayed fierce. In the household segment, the number of externally acquired Gold and Premium customers was 10,900 and the number of meetings was at a high level.

There was high focus on capital efficiency during the year with major effects on risk-weighted assets. Despite 7% lending growth, risk-weighted assets were reduced by 4%.

## Banking Sweden

Even though the activity level in the Swedish economy slowed down, business development remained strong with a good financial outcome and 23,500 new externally acquired Gold and Premium customers. Deposit volumes from household customers had a strong development and customer demand for investment products remained high. Corporate customers' demand for financing was low, while deposit volumes increased following growing cash management business.

In local currency, total income increased by 5% from last year while total expenses decreased by 4%.

## Banking Poland

The Polish economy has suffered a slowdown comparable to that observed in 2009. Demand on loans was relatively poor and income from deposits decreased following lower short-term interest rates and fierce competition. In general, the performance in the corporate segment was better off than for the household.

## Banking Baltic countries

The economies in the Baltic countries have remained resilient to the European sovereign debt crisis and weaker export demand. Positive economic development has increased corporate customer activity and the quality of the corporate loan portfolio has improved. Deposit volumes have shown a good development even though fierce pricing competition continues.

Risk-weighted assets were significantly down following the approval of the FIRB model in the Baltic countries as well as an improvement in the credit quality.

## Business Area

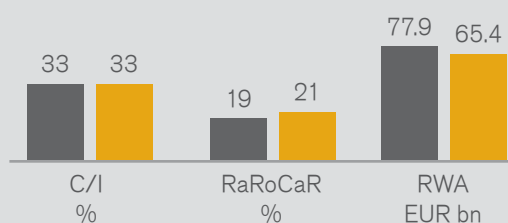
# Wholesale Banking

### Performance 2012 and Strategic direction

- ✓ Strong growth in income in 2012, driven by continued re-pricing and strong capital markets activities. Effective resource management with reduced RWA, fewer FTEs and a continued low cost/income ratio. Loan losses driven by shipping and a few individual exposures.
- ✓ Business selection is a key strategy to enhance profitability. Focus on core customer relationships, share of business and fee-based income.
- ✓ Alignment of the value chain to improve customer service experience and drive efficiency, strict internal resource management.

### Key figures

■ 2011 ■ 2012





Henrik Andersen, CFO of ISS A/S.

Henrik Andersen, CFO of ISS A/S:

# “It is imperative that Nordea doesn’t change its approach but remains loyal to the relationship model”

The relationship between a bank and its customer can develop into a true partnership based on mutual trust and commitment. The global facility service giant ISS A/S has such a relationship with Nordea and both parties put high value to it.

The close relationship between ISS and Nordea has developed over many years, covering several phases with changing ownership and management teams for ISS. Nordea has also changed significantly, but both parties have remained committed to the relationship during good as well as challenging times. As Henrik Andersen, CFO of ISS puts it: “Metaphorically speaking, the best part of the relationship is that Nordea is so close to us that they might as well have a part of our building.”

The main driver in such a close relationship is a deep mutual trust. Jan de Haas is Nordea’s Senior Relationship Manager for ISS and sums it up by saying: “We can always count on ISS. This means that we feel confident with them and we are always involved in strategic discussions whether they ask or we present new ideas and ways forward.”

The connection between ISS and Nordea is a clear example of what Nordea aims to achieve with its relationship strategy and how it creates value to the customers. More than a decade ago, there was a period when senior individuals from Nordea spent much time with ISS to help manage a

situation and get the business back on track. On the other hand, when times have been good, ISS has remained a significant customer to Nordea even if ISS obviously also has business relations and opportunities with many other banks and financial partners. This is the true commitment of relationship banking.

However, a close relationship is not only about being there for each other. “My expectation as the customer of a bank is that they understand the business cycle we go through” says Henrik Andersen and continues: “Nordea should keep having people who know what goes on at corporate customers so they can remain a bank which stays close to the customers. We are very satisfied with Nordea so it is imperative that they don’t change their approach but remain loyal to their own values and the profile they have today.”

The largest corporate customers in Nordea are serviced by Corporate & Institutional Banking (CIB) which is part of Wholesale Banking. Each CIB customer is assigned a customer team headed by the Senior Relationship

Manager (SRM). The SRM functions as a one point of entry to Nordea and is responsible for the coordination of internal activities and for making sure that all relevant competences and resources in Nordea support the specific customer’s needs.

Obviously, the SRM is not the only person in Nordea talking to the customers. The relationship is anchored with individuals throughout the organisation, often including a sponsor in the executive management of the bank. This ensures that the customer is well known across Nordea and has direct contact with the relevant experts. The customer team stays in close contact in order to work on ideas related to the customer.

Both ISS and Nordea appreciate the value of their close relationship. Henrik Andersen frames it by saying “I have seen and personally experienced Nordea as part of ISS for many years. Having your bank so close and having had such a relationship through all these years, that’s unique. This is something you can’t expect from many banks and Nordea should hold on to it.”



Jan de Haas is Senior Relationship Manager in CIB in Copenhagen and responsible for the ISS relationship.

## “Being the Senior Relationship Manager to ISS is a highly enjoyable job”

“The close contact with ISS allows me to identify business opportunities and plant ideas internally which our experts can work on and develop into solutions for ISS. A very important part of my job is to tell the story about ISS internally in Nordea to increase the possibility to create great customer experiences.

It is a very close and deep relationship and we can always count on ISS. It is important that I as their SRM understand the needs of ISS.”

Jan de Haas concludes: “Being the SRM to ISS is a highly enjoyable job.” Based on this, all prerequisites for the continued development of the relationship are in place.



The business model of Wholesale Banking has proven robust during the on-going industry transformation – with focus on daily business selection and resource management

## Wholesale Banking

Wholesale Banking provides services and financial solutions to the largest corporate and institutional customers in Nordea. The business area incorporates the whole value chain including customer and product units as well as the supporting IT and infrastructure. This allows for an integrated service offering, including tailor-made solutions to fit the needs of individual customers.

As the leading wholesale banking provider in the Nordic region, Nordea has the strength to provide its customers with the best financial tools to optimise their business and manage their risks. The operating model built on a Nordic scale and strong local presence enables full alignment between the customer units and product experts, thus ensuring intensity and relevance in all customer dialogue.

## Strategy

The business model of Wholesale Banking has proven robust during the on-going industry transformation. The local sales organisations combined with a global production platform allow Nordea to harvest the benefits of relationship banking as well as the economies of scale. The relationship strategy ensures deep knowledge about customers and their industries which strengthens Wholesale Banking's customer offering. The broad, high-quality product delivery increases the number of core/lead relationships and reduces earnings volatility.

Building on its strong position, Wholesale Banking continued its incremental strategy in 2012 with focus on daily business selection, resource management and further alignment of the organisational value chain. This was supported by initiatives to adapt pricing, increase cross-selling and strengthen the product

offering. It also included the discontinuation of marginal product lines and streamlining of processes.

In addition to this, Wholesale Banking continued to leverage its balance sheet and its strong access to the capital and loan markets to ensure attractive financing solutions for its customers.

## Business development

The Wholesale Banking result was strong and income increased significantly over 2011. The year was characterised by subdued economic growth which affected the activity level and investment appetite of Nordea's customers. However, a strengthened political determination to address the European sovereign debt crisis led to a general reduction of the volatility in the financial markets.

Wholesale Banking benefited from its proven relationship strategy and remained a preferred financial partner to large Nordic corporates. This resulted in solid customer activity despite the external challenges.

The business area retained a strict focus on business selection, resource management and cost efficiency. This led to a further reduction in RWA and in the total number of employees (FTEs).

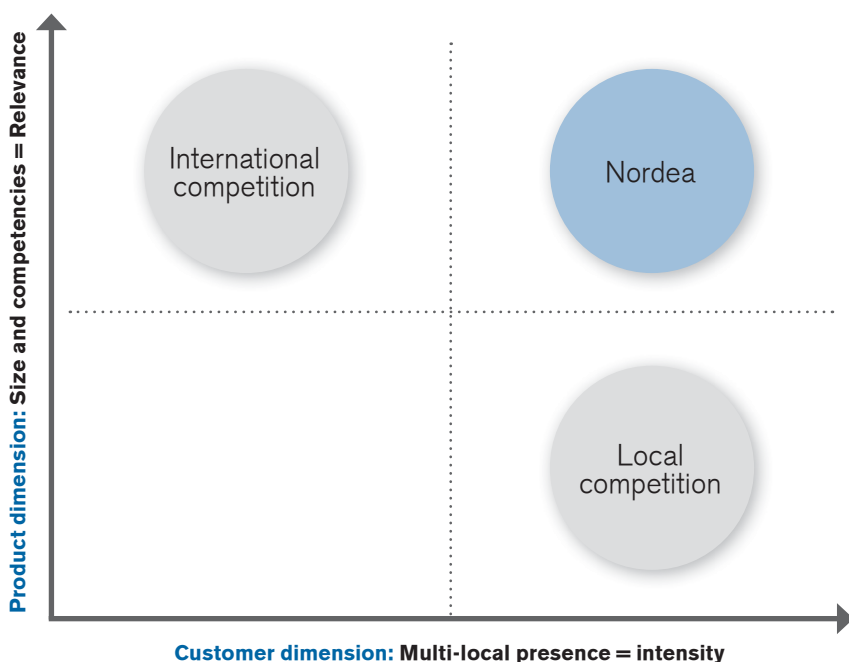
### Banking

The activity from corporate customers was solid with steady day-to-day business. The event-driven business increased, primarily driven by bond issuance.

Financial institution customer activity remained subdued due to the impact of the sovereign debt crisis.

The activity with shipping customers was subdued due to challenging conditions within the tanker, dry cargo and containership markets. Within the offshore and oil service sectors, customer activity was high.

**Strategic position:** A leading position built on local presence and global scale, resulting in deep customer understanding and competitive solutions



### Capital markets

Nordea Markets delivered strong results during the year with significantly increased income compared to the previous year.

Customer activity was primarily driven by the Foreign Exchange and Fixed Income product areas and supported by strong risk management income.

Primary bond issuance increased, driven by improved investor interest. Loan syndication activity decreased due to lower demand from corporate customers.

In the secondary equity and corporate finance areas, customer activity increased but remained moderate due to low market activity.

## Result

Total income for 2012 was EUR 2,795m, 8% up from 2011. Both net interest income and fee and commission income decreased somewhat while the result from items at fair value increased significantly due to the strong result in Nordea Markets. Net loan losses increased due to higher provisions in Shipping, Off-shore & Oil Services. Operating profit stayed at the high level from last year and was EUR 1,547m, down 1% from the previous year.

## Corporate & Institutional Banking

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

### Business development

The business activity was largely stable compared to the previous year and the day-to-day business remained solid as a result of Nordea's strong customer relationships. However, the continued low economic growth outlook impacted customers' investment appetite.

Corporate customer activity was solid, driven by daily business such as cash management, loan refinancing and risk management. Low economic growth and improved access to bond financing led to somewhat lower demand for new corporate lending during the second half of the year. The event-driven business with corporate customers increased, driven by high activity within bond issuance as well as stable M&A and leveraged finance.

Activity with institutional customers decreased despite a strong start to the year as the sovereign debt crisis led to lower demand for new transactions.

Competitive pressure was significant in the Nordic corporate and institutional banking segment, particularly for products with low associated demands for capital and liquidity. Competition for cash management and working capital mandates remained strong.

The customer relationship strategy is the anchor for servicing customers in CIB. A customer team, led by a Senior Relationship Manager, ensures the customers coherent service across Nordea and proactive identification of opportunities. In accordance with the strategy, CIB is a committed partner to its customers, building long-term



*Casper von Koskull is Head of Wholesale Banking.*

"The core of our relationship strategy is to put global resources and expertise at the disposal of our customers in the most effective way", says Casper von Koskull, Head of Wholesale Banking.

In 2012, we managed to leverage and develop our strong customer relationships and retained our solid business activity in the challenging business environment. This enabled Wholesale

Banking to adapt to the increasing regulatory requirements while remaining the preferred financial partner to large Nordic corporates.

In addition, we retained our strict focus on resource management and cost efficiency to further increase our financial strength and serve our customers even during challenging times."

relationships and serving them even during challenging times.

Global Finance Magazine named Nordea the best trade finance bank 2012 (Denmark, Finland and Norway) and the best bank for risk management in the Nordic region. In addition, the magazine named Nordea's Global Cash Pool the most innovative new solution.

CIB remained focused on ensuring attractive financing for customers through the use of the balance sheet

and Nordea's strong access to the bond and loan syndication markets.

CIB continued strict resource management whilst safeguarding the service level towards customers. The efficient application of resources is a key driver behind CIB's ability to remain a strong partner to its customers and is supported by active business selection and increased operational efficiency.

Lending volumes decreased, driven by the lower demand for corporate lending towards the end of the year.

Deposit volumes increased as CIB benefitted from Nordea's strong ratings in the competition for deposits from Nordic and international corporate and institutional customers.

### Result

Total income for the year increased to EUR 1,777m, up 2% from 2011. Net loan losses increased to EUR 68m corresponding a loan loss ratio of 15 basis points in 2012. The operating profit decreased 1% to EUR 1,222m.



*Nordea Markets' trading floor in Stockholm, one of the main venues for executing customer transactions.*

## Shipping, Offshore & Oil Services

Shipping, Offshore & Oil Services (SOO) is the division in Wholesale Banking responsible for customers in the shipping, offshore, oil services, cruise and ferries industries worldwide. Customers are served from the Nordic offices as well as the interna-

tional branches in New York, London and Singapore. Nordea is a leading bank to the global shipping and offshore sector with strong brand recognition and a world-leading loan syndication franchise. The business strategy is founded on long-term customer relationships and strong industry expertise.

### Business development

Customer activity during the year was moderate compared to 2011. Loan

syndication activity was generally lower than last year while business activity within bond origination was high as a result of attractive market conditions and a focused effort to increase this type of financing. Demand for export credit financing services remained firm, mainly due to limited availability of capital among traditional industry banks. The highest customer activity was in the offshore and oil services sector, partially driven by high exploration and production spending by the oil and gas industries. New lending transactions were executed on conservative terms and at increased loan margins.

Nordea's end-of-year lending volume to the Shipping, Offshore and Oil services industries decreased by 3% to EUR 13bn.

The deterioration of global economic growth strongly affected cyclical sectors such as the shipping industry. Weak market conditions in the tanker, dry cargo and container-ship markets resulted in a general decline in vessel values during the year. As a result of this, Nordea's loan losses related to the shipping industry increased but remained in line with the general industry development.

### Result

Total income decreased 3% to EUR 422m compared to 2011. Net loan losses increased to EUR 240m, which corresponds to a loan loss ratio of 176 basis points in 2012, reflecting the challenging conditions in certain shipping segments. Operating profit was EUR 114m, down 51% from the previous year.

## Nordea Markets

### Business development

Customer activity in the large Fixed Income and Foreign Exchange areas continued the strong development and the result from management of the risk inherent in customer transactions increased over the previous year. Nordea was ranked the Nordic leader for FX by Prospa.

## Nordea Markets

"The success of our franchise is built on a deep understanding of our customers' needs for risk management and investment advisory.

Our highly skilled people work closely together across research, sales, advisory, execution and trading to seek the best possible solutions for our customers," says Mads G. Jakobsen, Head of Markets Fixed Income, Currencies and Commodities (FICC).



*Mads G. Jakobsen,  
Head of Markets  
FICC.*

**Nordea Markets** is the leading capital markets and investment banking organisation in the Nordic region. Despite the challenging market conditions over the last five years, income has almost doubled.

Markets is a customer-driven operation, providing financial market solutions, capital market access and advisory. Markets is fully integrated into Nordea's relationship strategy with focus on building strong relationships and staying active in the financial markets to support the customers even during times of high market unrest.

Markets serves customers throughout Nordea with product areas such as fixed income, currencies, commodities, equities, corporate finance and debt capital markets. The focus is on providing integrated solutions and proactively identifying

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

Markets has extensive expertise within management of financial risk for customers through the use of instruments such as derivatives. Customers use these instruments as an integrated part of their business, eg to reduce uncertainty and minimize the negative impact of fluctuating interest rates, export currencies and raw material prices. Through various derivatives products, customers adapt cash flows to match their needs and risk appetite.



## Continued high level of income and operating profit with a particularly strong result in Nordea Markets

Primary bond market customer activity was strong as many corporate customers took advantage of an improved access to bond market financing and attractive interest rates. Syndicated loan activity decreased somewhat due to lower demand from corporate and institutional customers. Nordea retained its lead position in the Nordic bond and loan syndication markets according to Dealogic and was ranked the Nordic leader for syndicated loans by Prospera.

Secondary equity activity increased somewhat but remained moderate due to low market activity. Nordea improved its market position in all the Nordic markets according to the annual Prospera survey and increased the portfolio allocations from several large institutional customers. Nordea was awarded the title as the Best Nordic Equity Team 2012 by Starmine. Corporate finance activity also increased but remained moderate in line with the general market conditions in the Nordic region.

### Result

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

Total income was EUR 2,354m, up 14% from the previous year. The income increased as a result of the continued development in customer activities as well as the strong result from risk management.

## Banking Russia

Nordea Bank in Russia is a wholly-owned, full-service bank offering services to corporate and household customers. A particular focus is on making business with large global companies in Russia and core Nordic clients. The customer base includes 40% of the top 100 Russian companies.

The Russian operation offers all regular banking products, including cash management, lending and capi-

tal markets services. It counts among the 25 largest banks in the country. Based on the very strong presence in the Nordic countries, Nordea offer companies active both there and in Russia very good solutions for their banking services.

### Business development

Banking Russia showed strong development in 2012 with higher total income and largely stable lending and deposit volumes.

### Result

Total income increased 19% from last year to EUR 259m. Net loan losses stayed at low levels and were EUR 6m, corresponding to a loan loss ratio of 9 basis points.

## Wholesale Banking other

(including Capital Markets unallocated)

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

### Result

The Wholesale Banking other total income increased to EUR 337m and the operating profit increased significantly compared to 2011 to EUR 66m, primarily driven by strong income from management of the risk inherent in customer transactions.

# Business Area

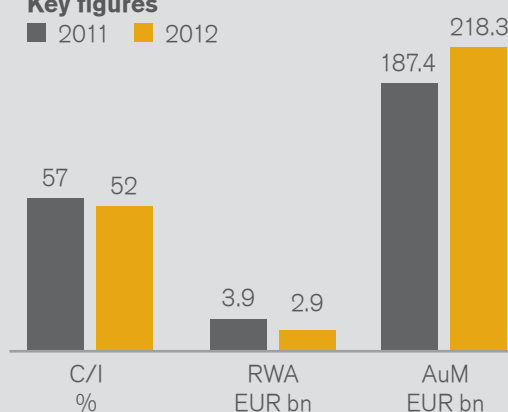
## Wealth Management

### Performance 2012 and Strategic direction

- ✓ AuM growth of 16% to EUR 218bn, net inflow EUR 9bn and positive flow in all key segments and markets. 84% of investment composites gave value added to customers and cost/income improvement.
- ✓ Focus on strengthening advisory concepts, products and services. Increase share of wallet and boost customer acquisition in retail savings.
- ✓ Accelerate referral of customers from Retail to Private Banking, while boosting external customer acquisition.
- ✓ Migrate to capital light products in Life & Pension.

### Key figures

■ 2011 ■ 2012





Heikki Kyöstilä, President of Planmeca Group  
and Private Banking customer in Finland.

*Heikki Kyöstilä, President of Planmeca Group and Private Banking customer in Helsinki:*

## “A strong bank with international business is very important”

Heikki Kyöstilä is a true entrepreneur. He started his company Planmeca 40 years ago and today it is a rapidly growing international business employing some 2,400 people. He has been a Private Banking customer with Nordea for 20 years.

Nordea is the market leader in Finland with a long tradition in Private Banking. The organisational structure of one contact point for the client and the broad spectra of financial services are very attractive to large clients as Heikki Kyöstilä. He established his business Planmeca in 1971, which produces high-tech dental equipment, 3D digital imaging devices and software. When he started he had practically no capital and now, 40 years later he is a wealthy man. The personal service that Nordea can provide is very important to Heikki. He works very closely with his Private Banker, Petri Salmi.

### “The level of service and one contact point is very valuable”

“I work hard and need a lot of support since my time is scarce. To me, the level of service and one contact point is very valuable” Heikki Kyöstilä tells.

Nordea has a strong focus on entrepreneurs in Private Banking as they are the ones who will grow in capital and hence also may be a potential corporate client.

Private Banking works closely together with Retail Banking and Wholesale Banking to find synergies and new innovative ways to serve their clients. The cooperation also increases the competence and awareness among Nordea employees.

“We are known as a safe and stable bank and the high competence among our people make customers satisfied even when the markets are turbulent” Petri Salmi says.

“Private Banking customers often have a corporate relation with the bank as well and they appreciate that they can benefit from the internal cooperation between different businesses within Nordea”, Petri Salmi continues.

### Strong international profile

Heikki Kyöstilä is also a corporate customer as Planmeca has all its financial business with Nordea. In his role as both private and corporate customer he needs a large bank with international presence. According to Heikki, Nordea is the best bank in

Finland to provide this. He has noticed the increased competition in the Private Banking area but few banks have the same strong international profile as Nordea.

“As I want to work with one main bank both for my private investments and my corporate business it is very important to have a strong bank with international business”, Heikki Kyöstilä points out.

Heikki Kyöstilä also appreciates the high level of competence of the employees of Nordea.

“If I ask for a special service I always get it accurate and at a high level and I always get substantial information about all the risks involved which makes me feel safe.”



*Petri Salmi is a Chief Investment Manager and Senior Private Banker in Nordea in Helsinki.*

### “We are reliable and safe and can offer the client a broad variety of products”

“I respect Heikki’s time as he is a hard working business manager so we talk on a weekly basis. We have an agenda of what we want to accomplish every week but we also have an on-going discussion on investment ideas.

I think our customers appreciate Nordea as we are a bank that fulfils their needs in many different financial

areas. We give them good advice, good investment performance and we are safe and stable. The high level of competence and professionalism among our people makes customers satisfied,” says Petri Salmi.

”

The strategic priorities are to develop the next generation value propositions to existing and new customers as well as deliver growth at a low marginal cost with capital efficiency

## Wealth Management

Wealth Management provides high quality investment, savings and risk management products. We manage Nordea customers' assets, provide wealth planning and give investment advice to affluent and high-net-worth individuals as well as institutional investors. The business area consists of the business units Asset Management, Private Banking and Life & Pensions as well as the service unit Savings & Wealth Offerings. Nordea is the largest wealth manager in the Nordics with EUR 218bn in assets under management (AuM). The business area has approximately 3,600

employees, of which approximately 600 are employed outside the Nordic region, primarily in Europe.

## Strategy

### Attractive customer value propositions and profitable growth

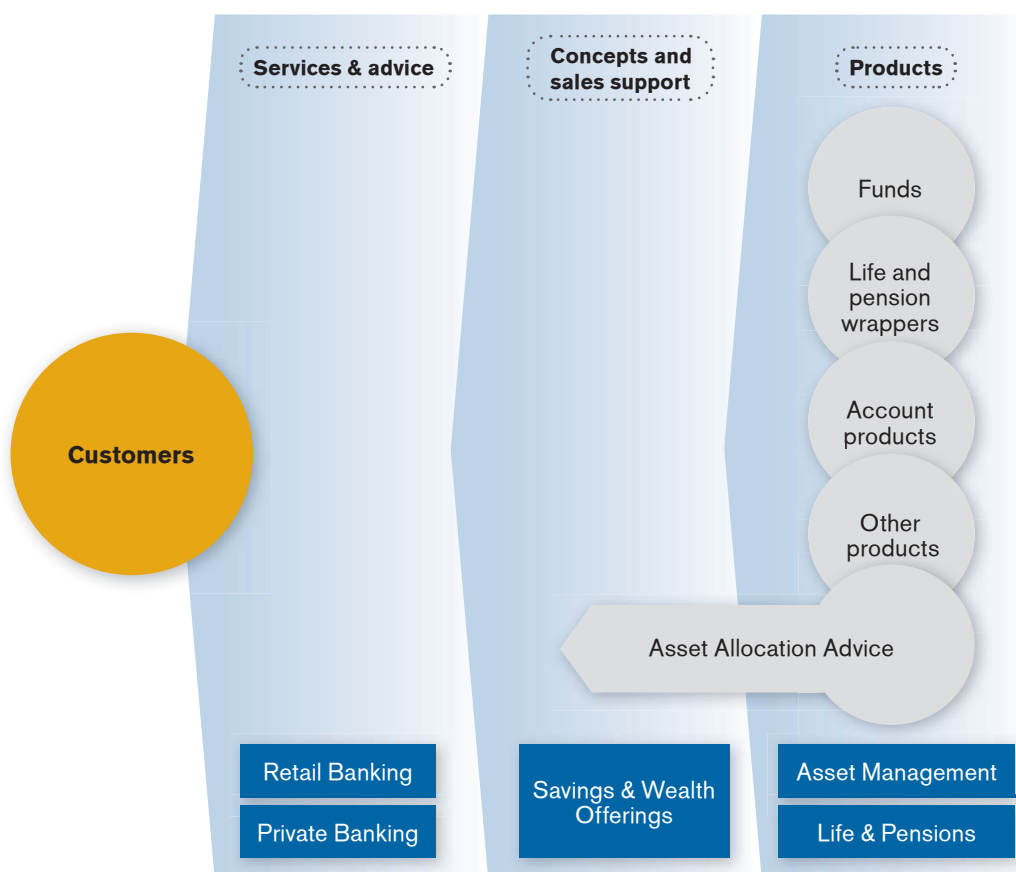
Being the leading wealth manager in all Nordic markets with global reach and global capabilities – that is the ambition of Wealth Management. This requires a business model providing customers high-quality advice, a high standard of service and a full offering of high-quality products through a cost and capital-efficient delivery model. To consolidate this position, Wealth Management has three strategic priorities:

1. Develop the next generation value propositions to existing and new customers
2. Deliver growth at a low marginal cost
3. Improve cost and capital efficiency

These strategic priorities are supported by a substantial number of projects across the business units. Key activities include ramping up the quality of our online value propositions, exploiting the full potential of customer referral from Retail Banking to Private Banking, and continuing to migrate life customers to capital-efficient products.

It is at the core of Wealth Management's strategy to provide advice based on deep understanding of customers' needs and to always act in the

Business model based on an integrated value chain



customer's interest. High-quality value propositions are tailored to the specific customer segments' needs, and specific customer's needs where appropriate. The delivery model has proven to be cost-efficient and scalable. The diversified business model has demonstrated its strength in different market climates.

## Asset Management

### Strong investment performance

Nordea Asset Management is responsible for actively managed investment products. The products are managed in-house by independent investment boutiques covering equity, fixed

income, credit and multi asset products. In addition, Nordea Asset Management has a manager selection team responsible for selecting products from external managers in order to complement the product range.

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

Nordea Asset Management employs approximately 570 people and is – with a combination of global experience and Nordic standards – a strong,

competitive player both in the Nordic home markets and globally.

### Business development 2012

AuM in Nordea Asset Management increased EUR 21.4bn to EUR 137.8bn, up 18% from one year ago. The increase is explained by a positive investment return of EUR 12.8bn and a strong net inflow of EUR 8.6bn.

2012 was characterised by the positive momentum in the financial markets, despite periods of high volatility due to continued structural problems caused by indebtedness in Southern Europe. Nordea managed the investment performance well in 2012 as 84% of the investment composites outperformed their benchmarks in 2012. All of our fixed-income composites and balanced products delivered value-adding performance. Equity composites' performance was good, although a few failed to deliver value added. On a long-term horizon (36 months), Nordea's relative investment performance continues to be strong. 72% of the investment composites have outperformed their benchmarks.

The sale of retail funds to customers was strong with a net inflow of EUR 4.2bn. Product-wise, the customers particularly favoured fixed income and balanced products, while there has been a minor outflow in equity products.

Nordea's institutional asset management continued the positive development from previous years and ended 2012 with a net inflow of EUR 1.1bn. All countries contributed positively except for Denmark. Sweden experienced a breakthrough with a solid year and Norway delivered for more than five consecutive years positive flow. Sales to international clients could not keep up the pace from last year, but is still on the right path with yet another positive year. The margin composition of the in- and outflows was also positive, with the average margin being lowest on the outflows.

Global Fund Distribution reported a strong net inflow of EUR 2.1bn in 2012. In the first half of the year,

"...a new milestone in assets under management...outperformance of benchmarks...and strong inflow"



*Gunn Wærsted is Head of Wealth Management.*

"Our organisation achieved a new milestone of EUR 218bn in Asset under Management and 84% of our composites outperformed their benchmarks followed by strong inflow from our customers in 2012. This shows that our active management philosophy is acknowledged. The strategy of shifting to capital-efficient products continued, which in combination with the well-proven relationship strategy contributed further to our already robust and well diversified operating model.

Our ambition is to become the leading wealth manager in all Nordic markets, with global reach and global capabilities. To achieve and maintain that, we need to ensure that we provide high-quality advice and products to customers, that our business model is cost efficient, capital efficient and scalable and that we make investments to meet the future customer needs, so that we continue to earn current and new customers' trust."



Strong inflow in Assets under Management, increased business volumes in Private Banking and 75% of new premiums in Life & Pensions in capital-efficient products

demand for Nordic fixed income, as a euro diversification and US Investment grade was strong. In the second half of the year, investors returned to more risky assets and this produced positive inflows in European and US High Yield solutions as well as a slightly higher appetite for equities. Global Fund Distribution has expanded the distribution network during 2012, penetrating new important retail networks and entering into four distribution agreements with top global wealth managers.

As a part of the strategy in Asset Management and as the first asset manager in Nordics, the first cross-border fund mergers and master-feeder fund structures were implemented. During the year, 21 new funds were launched in the strategically important product areas such as North American equities and fixed income, Emerging Markets as well as offerings to the Private Banking segment in Norway. In addition, the focus has been in gaining efficiencies from merging and consolidating funds; these activities will also continue in 2013.

## Private Banking

### **Private Banking - the leading wealth adviser in the Nordics**

Nordea Private Banking provides full-scale investment advice, wealth planning, credit, tax and estate planning services to affluent and high-net-worth individuals, business owners and trusts and foundations. Customers are provided with a holistic overview of their financial situation and with advice and solutions that meet their needs and preferences.

The 106,000 Private Banking customers are served from 80 branches in the Nordic countries as well as from offices in Luxembourg, Switzerland, Spain and Singapore by a total of approximately 1,200 employees. Customer service is supported by a tight cooperation with Retail Banking.

Nordea Private Banking is with

EUR 69.4bn in AuM the largest Private Bank in the Nordic region, and was named the best Nordic Private Bank by Euromoney in 2009, 2010, 2011, 2012 and 2013.

### **Business development 2012**

Continued uncertainty around the sovereign debt crisis in Europe had a negative impact on Nordea Private Banking customers' risk appetite. The customers responded by reducing their risk exposure from high margin products and shifting their asset mix towards low income yielding deposit products. In the second half of the year, risk appetite picked up due to strong developments in financial markets around the world. Positive actions and statements from central banks, in particular from the European Central Bank and US Federal Reserve System, also drove momentum.

As a result, due to a strong pick up in the second half of the year, the AuM increased with EUR 8.4bn to EUR 69.4bn in 2012, up by 14% compared to the previous year. The contribution to the increase in AuM consisted of EUR 1.3bn in net inflow and EUR 7.1bn due to asset appreciation.

During the year, the number of Nordea Private Banking customers increased to 106,000, up 3% compared to the previous year. The quality of the customer base continued to increase, as smaller customers with less complex needs were referred to Retail Banking and new customer acquisition focused on higher assets clients. More than 100,000 wealth planning meetings were executed. An extensive effort to enhance productivity in all Private Banking units continued, including activity to streamline processes and upgrade IT systems, to make room for improvements of value propositions and to meet the higher service standards likely demanded by customers in 2013.

## Life & Pensions

### **Capital efficiency is a priority**

Life & Pensions serves Nordea's Retail, Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions is operating in the Nordic countries, Poland, the Baltic countries, the Isle of Man and Luxembourg. In the Danish, Norwegian and Polish markets, sales are conducted through Life & Pensions' own sales force as well as through tied agents and insurance brokers. Life & Pensions employs approximately 1,300 people.

The Life & Pensions' business leverages Nordea Asset Management's expertise, a strong bancassurance model and Life & Pensions' cost-efficient administration. Nordea Life & Pensions is the largest life insurer in the Nordic market with a combined market share of 11.4% based on gross written premiums and EUR 51.3bn in assets under management.

### **Business development 2012**

The financial markets in 2012 were characterised by continuously low interest rates and some volatility, providing a challenging environment for the life and pension industry. Being able to utilise its in-house Asset and Liability Management expertise to successfully navigate the short-term challenges, Nordea Life & Pensions was able to additionally build a strong base for a life insurance group tailored to meet the challenges of the upcoming Solvency II regulatory framework.

The overall strategic direction with emphasis on capital-efficient products distributed cost-efficiently through Nordea's branch network began to be visible in 2012. Although the total gross written premium volume slightly decreased from 2011, the quality of the inflow was significantly increased. Sales of market return and pure risk products accounted for 75% of total gross written premiums, up 16 %-points from the previous year.

This, combined with 57% of the gross written premiums being distributed through the cost-efficient bank channel clearly underlines the long-term profitability of the Nordea Life & Pensions business.

While the primary focus during the year has been on profitability rather than volume, Nordea Life & Pensions was still able to maintain its position as the largest life and pension insurer in the region measured in gross written premiums. The shift in strategy is also distinctly reflected in the net flows in Life & Pensions' products, as traditional products experienced net outflow of EUR 1.4bn and conversely the net inflow to market return products was EUR 2.8bn.

The strong growth in market return products, combined with a strong investment return of 7.4% in the traditional portfolios, was the driver behind the AuM increase by 13% to the all-time high level of 51.3bn. The strengthening of the financial buffers continued, ending at 7.5% of technical provisions due to strong asset/liability management focused on decreasing the financial risk borne by the owner.

Life & Pensions' operating profit for the year ended at EUR 335m, which is 62% higher than in the previous year. The increase was partly driven by recognition of fee income relating to previous years attributable to part of the traditional portfolio, but also by a strong increase in the underlying profit driven by market return products.

MCEV increased by EUR 1,048m in 2012 to EUR 3,762m, driven by strengthened financial buffers and higher asset values, higher than expected earnings during the year along with continuous inflow of profitable new business. New business sales contributed with EUR 173m to MCEV in 2012.

## Savings & Wealth Offerings

### Quality in service and advice

Savings & Wealth Offerings (S&WO) is a service unit in Wealth Management with approximately 350 employees located in the Nordic countries and Poland.

S&WO's role is to align, define, partly develop, package and communicate Nordea's product and service offerings to fulfil the customers' individual savings and investments needs.

The primary deliveries are: concept and value proposition development, financial planning and asset allocation, market views and recommendations, product portfolio management, online business development, brokerage and trading, sales support and education of advisors – all of this compliant with the regulatory frameworks. All savings and investment related activities are planned and executed as an integral part of the value chain in Retail Banking and Private Banking. Furthermore, more than 770,000 financial plans were executed with the financial planning tool in Nordea. An objective of SWO is to ensure cost synergies across customer segments and markets and to continuously increase quality and efficiency in the advice session.

### Business development 2012

Despite market volatility, good returns were delivered to customers in 2012 – especially for customers who followed Nordea's investment advice. The Nordea-recommended portfolios yielded between 10.2–14.5% in 2012 in local currency. Overall, there was a significant increase in the savings flow in 2012 compared to 2011. This was primarily driven by investment products more specifically by more advanced fixed income/credit and balanced products.

The new tax wrapper in Sweden, "INVESTERINGSSPARKONTO" (ISK) has fuelled AuM growth. Nordea was a first mover in launching the

ISK, not only in traditional channels, but also online. By year end, over 92,000 ISK accounts were opened with a total AuM of approximately EUR 2.4bn. On deposits, low interest rates led to declining margins, but still generated positive net flows. The investment product income grew by approx. 6% in 2012 compared to 2011, although margins declined due to asset allocation changes from equities to fixed income.

## Result

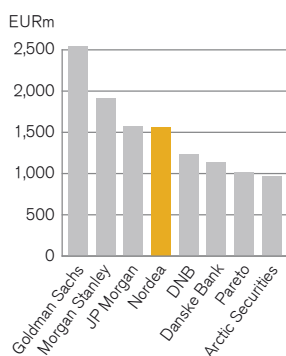
Total income for 2012 was EUR 1,492m, up 15% from 2011. Both net fee and commission income and net result from items at fair value increased significantly driven by the strong result in Asset Management and in Life & Pensions. Operating profit increased 28% compared to last year and was EUR 708m.

# Market positions

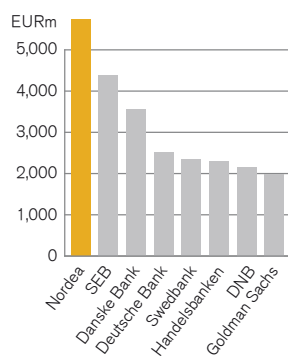
## Market positions, 2012

	Denmark	Finland	Norway	Sweden	Estonia	Latvia	Lithuania	Poland	Russia	Shipping, internat, Luxembourg	Total
<b>Number of customers, 000's</b>											
Corporate customers	55	128	89	245	18	9	7	66	6	2	625
Household customers									66		
Household customers in customer programme	1,586	2,475	872	3,124	122	103	148	602	n.a.		9,032
– of which Gold and Premium customers	720	1,011	283	959	25	21	17	83	n.a.		3,120
(change 2012/2011, %)	1%	1%	5%	2%	–4%	–5%	–19%	6%			2%
Private Banking	43	27	10	14	0.5	1.0	0.3	1.3	n.a.	12	106
(change 2012/2011, %)	4%	3%	9%	–4%	26%	16%	46%	–6%		0%	3%
Net banking, active users	921	1,305	335	1,439	95	101	146	367	n.a.		4,709
(change 2012/2011, %)	11%	3%	4%	2%	7%	0%	2%	9%			5%
Mobile banking	164	127	63	425							789
(change 2012/2011, %)	180%	47%	276%	95%							105%
<b>Number of branch locations</b>											
	207	235	97	231	16	13	11	138	30		978
<b>Market shares, % (change 2012/2011, %-points)</b>											
Corporate lending	24 (0)	30 (–3)	13 (–1)	15 (–1)	23 (+1)	16 (+1)	14 (+1)	2 (0)	1 (0)		
Corporate deposits	25 (0)	34 (–4)	14 (–2)	17 (–2)	13 (+5)	6 (+1)	10 (+1)	2 (0)	1 (0)		
Institutional investment funds	4 (–6)	30 (+3)	9 (+1)	8 (0)							
Household investment funds	16 (0)	24 (+1)	15 (+2)	13 (0)							
Life & Pensions	18 (+1)	25 (–1)	13 (–1)	5 (–2)				5 (–1)			
Household mortgage lending	17 (+1)	30 (–1)	12 (0)	15 (0)	16 (+1)	19 (+1)	13 (+1)	5 (–1)	<1		
Consumer lending	21 (+1)	30 (–1)	7 (0)	8 (–1)	6 (–2)	2 (0)	10 (+1)	<1	<1		
Household deposits	22 (–1)	31 (0)	8 (–1)	16 (–1)	6 (0)	6 (0)	2 (0)	1 (0)	<1		

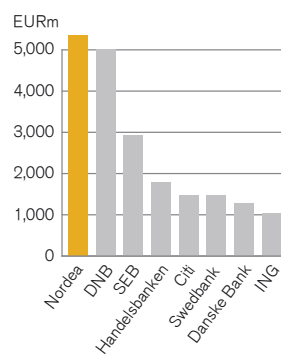
**Nordic primary equity  
market, bookrunner 2012**



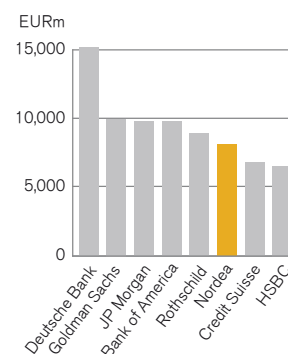
**Nordic corporate  
bond benchmark,  
bookrunner 2012**



**Nordic syndicated  
loans, bookrunner 2012**



**Nordic mergers and  
acquisitions 2012**



# Corporate Social Responsibility & Our people

# Nordea continued to integrate sustainability in the core business

In 2012, our CSR work focused on further integrating CSR with our core business in line with our strategy and long term goal. It is a continuous process and entails taking environmental, social and governance aspects into account in everything we do. The work involved is energy well spent because, as our CEO says: “responsible business leads to sustainable results”.

The financial crisis has shown the importance of strong and stable banks for societies to prosper. Nordea’s primary responsibility is to remain strong and stable so that we can help our customers be it individuals, families, companies or corporations to realise their aspirations. All our stakeholders have to be able to depend on us for the long term. CSR plays an important part.

In 2012, we focused on strengthening compliance, further developing our lending practices, expanding our investment products with positive screening, introducing a new Sustainability Policy and a whistle blowing system, and continuing to reduce our ecological footprint.

## **Strengthening compliance by combating criminal networks**

Financial services represents one of the key pillars of a healthy, stable

society. Banks facilitate trade, saving and investment – the basic engines of a modern economy. Yet banks can be the target of criminal individuals and networks. Global anti-crime authorities are today investing considerable energy and resources in combatting money laundering and money transfers to terrorist organisations. Many of the new regulations in our sector relate to these endeavours. Nordea welcomes this. As a responsible international bank, we are committed to supporting all efforts to combat organised crime and terrorism.

In 2012, Nordea set up dedicated Anti-Money Laundering teams in all the markets where we operate. Each team has an Executive Manager with overall responsibility for country-based risks associated with money laundering and terrorist financing. This year our Board of Directors agreed a company-wide standard for our internal compliance processes in these two areas. Nordea’s Group Compliance function coordinates and monitors the work of our country-based Anti-Money Laundering teams.

We introduced a mandatory course for all new employees in Anti-Money Laundering and as of 2012 all employees receive regular updates on overall Operational Risk and Compliance through e-learning and classroom training sessions. In 2011 we introduced Compliance Awareness Training for Senior Management that included external board members, Group Executive Management members and their own management group. This programme continued in 2012.

As a Nordic company, Nordea’s culture is marked by a tradition of open-

ness and trust. While this is an essential foundation for any compliance system, we need standardised processes and for this reason, we introduced a formal whistle blowing system in 2012. The decision reflects our status as a Global Systemically Important Bank and ensures our compliance with the standards set out in the UK Bribery Act and European Banking Authority Guidelines.

Nordea’s whistle blowing system offers employees a range of different avenues for reporting their ethical concerns. The first port of call is generally their manager or, if they prefer, another manager. If this is not appropriate, they can voice their concerns directly to a Risk and Compliance Officer. It may be that an employee would rather keep his or her identity private, in which case they can print off a form from the bank’s intranet and send it anonymously to Group Security.

## **Responsible lending**

In 2012, in Nordea’s corporate lending we continued to renew the environmental, social, political and governance (ESG) analyses in the credit process. Nordea’s current analytical tools, Environmental Risk Assessment and Social and Political Risk Assessment, will be combined and made interactive. Going forward we will focus our ESG analyses on credits with higher probability of ESG risks. Certain industries and countries are more prone to ESG risks than others which our procedures take into account. We will also integrate ESG aspects with the know-your-customer process. If this analysis will raise a red flag, a wider analysis with the new tool will



By helping households and companies realise their plans and dreams, we help build the future of our societies. Therefore our CSR work is primarily focused on our core business responsible credits and responsible investments

be performed. The new process will be tested starting in the first quarter of 2013 aiming for a rollout during the second half of 2013.

#### **Investing by positive screening**

In 2012, Nordea's Responsible Investment Team continued its active approach to investments holding biannual dialogues with companies invested in and participating in Annual General Meetings. The Responsible Investment fund, Emerging Stars, which was launched in 2011, grew in popularity in 2012. The funds focus on companies with a positive trend and with sustainability as their platform for growth. Emerging Stars have shown solid outperformance.

In 2012, the Responsible Investment Committee decided to sell all holdings in companies that produce or develop nuclear weapon systems or technology. The Committee's reasoning is that nuclear weapons are not conducive with human rights. Holdings in some 20 companies were divested.

#### **Stakeholder dialogues**

Nordea's CSR Secretariat's stakeholder dialogues were dominated by socially responsible investors (SRI). The interest from the SRIs has increased and at year end 31% of Nordea's shares were owned by institutions that have publicly stated overall responsible investments policy and/or signatories to the UN's Principles for Responsible Investment. This is quite significant as the average percentage owned by SRI's in European and North American listed companies is 10 to 15% (study from 2010). The dia-

logues were held in face to face meetings, via telephone as well as surveys with follow up conversations.

The annual customer satisfaction survey and employee satisfaction survey provides information on CSR aspects customers and employees view as important. We also carried out an online discussion board and stakeholder survey to ensure that we are addressing the most material issues for our business.

#### **CSR Stakeholder Board**

CSR is owned by the business in Nordea. The task of the CSR Stakeholder Board is to work towards business ownership of CSR in the Group. The CSR Stakeholder Board will consist of businesses and functions most rele-

vant to promote CSR in Nordea. Three members were added to the CSR Stakeholder Board in 2012, the Head of Investor Relations, Branding and Responsible Investments. The members represent business areas and group functions to ensure group wide perspective and consensus in our CSR work.

For more information about Nordea's CSR work, please see Nordea's CSR Report 2012 available on [www.nordea.com/csr](http://www.nordea.com/csr)



*Nordea's CSR Report 2012, available on [www.nordea.com/csr](http://www.nordea.com/csr)*

# We grow together

Relationships count. This is why at Nordea, we believe in putting people first – especially our employees. When they grow, we grow – their skill and dedication keep us ahead and make Nordea great.

## People strategy

Our people strategy is defined by our business vision, strategy and values. According to our people strategy, Nordea can reach its goals only if our employees reach theirs, and we therefore provide opportunities for our people to flourish and live well-balanced lives. Teamwork is an integral part of working at Nordea. In line with our “one Nordea team” value, employees can fulfil both their own and Nordea’s ambitions while enjoying being part of a high-performing team.

## Focus on values and leadership

Nordea’s values and leadership are the strongest drivers for performance and building corporate culture. Building a great European bank requires great leaders. Nordea defines great leadership as the ability to engage and motivate people to reach out for Nordea’s vision, and to create the right team to make it happen. Successful leaders at Nordea are committed, engaged and seek to enable those around them to flourish and develop – not just themselves.

Developing the capabilities of others, unlocking their potential and providing constructive feedback are inherent leadership qualities.

In 2012, Nordea introduced a Leadership Pipeline Framework to take our leaders to the next level. New leaders are quickly initiated in their new roles through a special introduction programme providing them with the requisite information and understanding of tools and processes for their managerial roles. Other programmes seek to train managers in the skills and perspectives required at different stages as they progress through the bank. The leadership pipeline targets all managers and comprises classroom and work-based learning. The 2012 employee satisfaction survey showed satisfaction with immediate managers at an index rate of 79, confirming that Nordea’s managers are above the industry average. The index rate for living our values increased to 79 from 78.

## Feedback culture – a two-way street

Nordea prioritises open dialogues in employee relationships. We know that people feel valued when they feel heard. Regular feedback is also key to their ongoing development. This culture of responsiveness is enabled by our Employee Satisfaction Index (ESI) and our Performance & Development Dialogue (PDD) process. The one-on-one PDD talk between employee and manager is fundamental to accelerating growth and validating our culture of performance and progress. We assess per-

formance, plan a short- and long-term career path and decide on development initiatives/activities. In 2012, 97% of employees reported that they participated in this review process.

The ESI survey is a gauge for Nordea as an employer. It shows what our employees think about our employment practices, our governance standards and our values. In 2012, 94% responded to the ESI. This exceptionally high response rate indicates a combined commitment to enhance operations. We follow up on the feedback from the ESI both at local and group level.

## Opportunities to flourish and grow

Nordea aims to offer many opportunities for employees to develop within the Group. Development is the joint responsibility of the manager and employee. Nordea provides group-wide leadership and employee development. The business areas provide training in specific skills and knowledge developed to secure common expertise within a market area. Much of our training occurs on the ‘production floor’. Such on-the-job learning has proved to be a highly effective way of keeping training relevant. We supplement this with classroom teaching, e-learning and virtual workshops. Helping our employees achieve their full potential is crucial, because their skills and dedication keep us ahead and make Nordea great. The Talent Management process ensures that we have strong leaders, competent specialists and high-quality succession.

### A company with many possibilities

Mobility is key to developing skills. We advertise our vacancies internally and endeavour to find candidates among our colleagues. One way of learning about jobs and competence needs in the Group is by joining our career days, run on a country basis. Most career mobility takes place within the same country, although the opportunity to work across borders and in different value chains is also greatly valued by our staff – particularly graduate programme participants. Nordea's graduate programme plays an important role in bringing new talents to the bank. The programme is in high demand and is thus a good measure of our ability to attract some of the best young talents. Graduates are hired for a particular position and combine work with the graduate training programme during their first year as a Nordea employee.

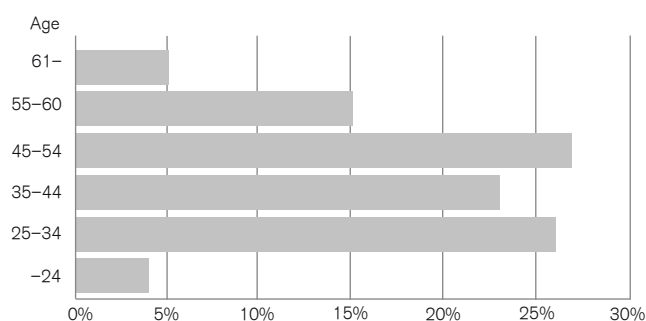
### Responsible restructuring

The financial turbulence and new global requirements regarding capital, liquidity and costs have resulted in a need for sustained cost and capital efficiency measures throughout the entire financial industry. In 2011, Nordea announced a restructuring programme in the Nordic countries.

While it was not a step we took lightly, it was crucial to the bank's future. It has led to a reduction of around 2,700 employees at group level since the second quarter of 2011. Reductions thus far have mainly occurred through natural attrition and internal mobility, combined with

### Employees distributed by age

% of employees 31 Dec 2012

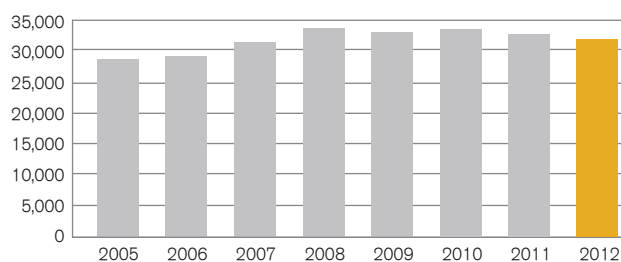


### Employee satisfaction survey results

ESI, index	2012	2011	2010
Satisfaction and motivation	71	72	73
Development	73	71	73
Considered a good workplace	74	74	79
Proud to tell others where I work	76	76	82
Recommend others join Nordea	72	72	78

highly cautious external recruitment and refraining from extending temporary employment contracts. In the Nordics, over 300 people made career moves within the bank in the context of our internal People Matching Process. People also chose to leave Nordea with mutually agreed redundancy packages with the possibility of outplacement support.

#### Number of employees (full time equivalents, FTEs)

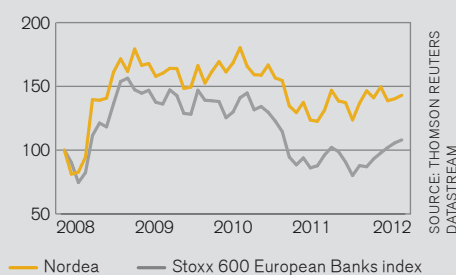


#### Number of employees, by area or function

Full-time equivalents (FTEs)	2012	2011
<b>Retail Banking</b>	<b>17,947</b>	<b>19,252</b>
Banking Denmark	3,934	4,279
Banking Finland	3,996	4,177
Banking Norway	1,402	1,428
Banking Sweden	3,306	3,505
Banking Poland	1,629	2,000
Banking Baltic countries	799	873
Retail Banking other	2,881	2,990
<b>Wholesale Banking</b>	<b>6,066</b>	<b>6,274</b>
Corporate & Institutional Banking	213	212
Shipping, Offshore & Oil Services	87	96
Banking Russia	1,486	1,547
Capital Markets Products	2,091	2,153
Wholesale Banking other	2,189	2,266
<b>Wealth Management</b>	<b>3,561</b>	<b>3,639</b>
Nordic Private Banking	906	914
International Private Banking & Funds	302	305
Asset Management	559	567
Life & Pensions	1,277	1,334
Savings	324	322
Wealth Management other	193	197
Group Operations & Other Lines of Business	2,482	2,430
Group Corporate Centre	430	441
Group Functions and Other	980	1,032
<b>Nordea Group</b>	<b>31,466</b>	<b>33,068</b>

# The Nordea share and shareholders

**Nordea share performance  
compared to European banks,  
2008–2012**



# The Nordea share and shareholders

Nordea's financial target is to reach 15% return on equity (ROE) in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

The market capitalisation of Nordea at the end of 2012 was EUR 29.3bn. Ranked by market capitalisation Nordea was the fourth largest company in the Nordic region and among the ten largest European financial groups.

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

## Share price development

The international equity markets recovered in 2012 and the Nordea share price appreciated 17% on the NASDAQ OMX Stockholm Stock Exchange from SEK 53.25 to SEK 62.10. The daily closing prices listed for the Nordea share during 2012 ranged between SEK 66.90 and SEK 51.55. In 2012, the NASDAQ OMX OMXS30 index appreciated by 12% and the Dow Jones STOXX European banks index by 23%. Since 6 March

2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 74% and clearly outperformed the Dow Jones STOXX European banks index (-51%) and the NASDAQ OMX OMXS30 index (-28%).

Nordea's share price can be monitored on [www.nordea.com](http://www.nordea.com), where it is also possible to compare the performance of the Nordea share with competitors and general indexes as well as to find historical prices for the Nordea share.

## Total shareholder return 2012

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2012 was 21.0% (-24.4% in 2011). Nordea ranked number 14 among the European peer group banks in terms of TSR in 2012 (number five 2011, nine 2010, seven 2009, two 2008 and number three in 2007 and 2006.) The average TSR for the peer group was 42%.

## Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2012, with an average daily trading volume of approx. EUR 73m, corresponding to approx. 11 million shares. Turnover on all stock exchanges combined totalled EUR 18.2bn in 2012, corre-

sponding to over 2.6 billion shares.

A large part of the total trading takes place on new alternative trading and reporting venues. 13% 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 2012, approx. 83% were SEK denominated, 9% EUR denominated and 8% DKK denominated.

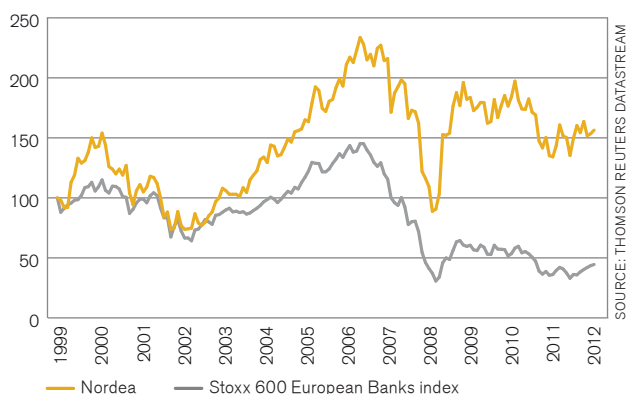
## New capital policy

Nordea has established a new capital policy for the new regulatory environment, which states that, no later than 1 January 2015, the target for the core tier 1 capital ratio is to be above 13% and for the total capital ratio above 17%. The dividend policy remains unchanged. Excess capital is expected to be distributed to shareholders.

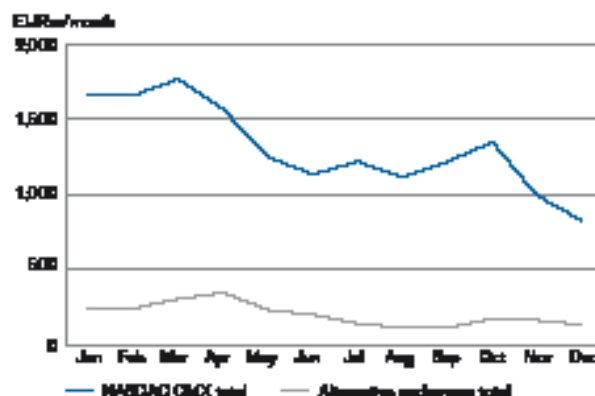
## Share capital

In order to implement the Long Term Incentive Programme 2012 (LTIP 2012) in a cost-efficient manner the AGM 2012 decided on an issue of 2,679,168 redeemable and convertible C-shares. The C-shares should hedge the programme against negative financial effects from share price appreciations. C-shares do not entitle to any dividend. From 3 May 2012 when the C-shares were converted to

Nordea share performance compared to European banks, 2000–2012



Stock exchange turnover of the Nordea share 2012



ordinary shares, the share capital amounts to EUR 4,049,951,919.

All ordinary shares in Nordea carry voting rights, with each share entitled 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.

### Dividend policy and proposed dividend

Nordea pursues a policy of high dividends. The policy is that the total dividend payment will exceed 40% of net profit for the year.

The Board of Directors proposes a dividend of EUR 0.34 per share for 2012. The total dividend payment for 2012 would then be EUR 1,370m, corresponding to a payout ratio of 44% of the net profit after tax, which is in line with the dividend policy. The dividend yield calculated on the share price at 30 December 2012 is 4.7%.

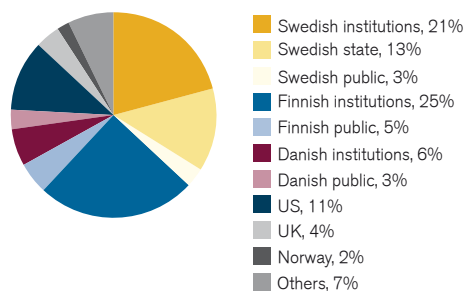
### Largest registered\* shareholders in Nordea, 31 Dec 2012

Shareholder	No of shares, million	Holdings %
Sampo plc	860.4	21.4
Swedish state	544.2	13.5
Nordea-fonden	158.2	3.9
Swedbank Robur Funds	135.9	3.4
AMF Insurance & Funds	74.1	1.8
Norwegian Petroleum Fund	71.5	1.8
SHB Funds	59.2	1.5
SEB Funds	47.4	1.2
Fourth Swedish National Pension Fund	44.7	1.1
AFA Insurance	41.1	1.0
Nordea Funds	39.0	1.0
Varma Mutual Pension Fund	30.4	0.8
Skandia Life Insurance	27.4	0.7
First Swedish National Pension Fund	25.7	0.6
Alecta	25.5	0.6
Third Swedish National Pension Fund	22.2	0.6
Nordea Profit-sharing Foundation	21.4	0.5
Second Swedish National Pension Fund	20.0	0.5
SPP Funds	19.6	0.5
Saudi Arabian Monetary Agency	18.0	0.4
<b>Total, 20 largest shareholders</b>	<b>2,306.4</b>	<b>56.7</b>

Source: SIS ägarservice, Nordic Central Securities Depository, VP Online.

\* Excluding nominee accounts.

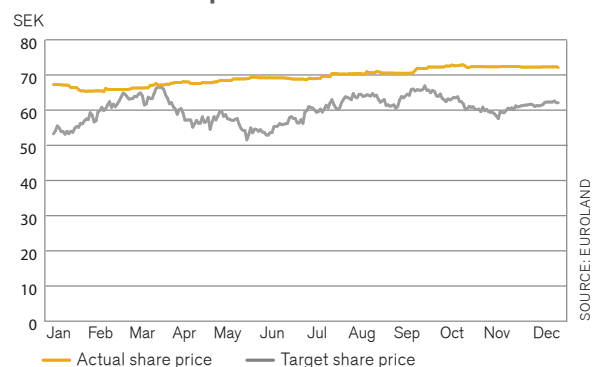
### Shareholder structure, 31 Dec 2012



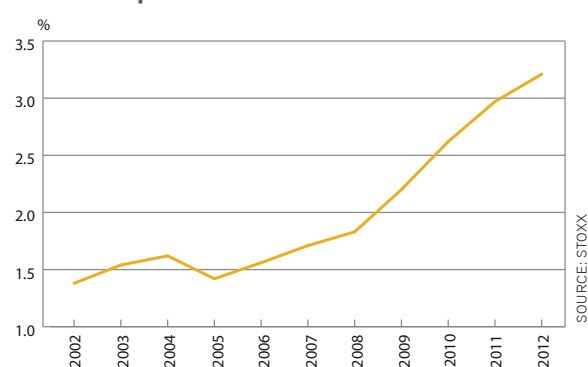
### Nordea share, average of analyst recommendations 2012



### Nordea share, equity analysts' average target price and actual share price 2012



### Nordea weighting in the Stoxx Europe 600 Banks index



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

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

### Shareholders

With approx. 450,000 registered shareholders at the end of 2012, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 90,000, in Finland approx. 187,000 and in Denmark approx. 169,000 – numbers which were

largely unchanged from last year.

The largest shareholder category is Finnish institutions (including Sampo plc), with a 25% holding of Nordea shares at year-end. Swedish institutional shareholders held 21% while non-Nordic shareholders held 22% of the capital at the end of 2012. The largest individual shareholder is Sampo plc with a holding of 21.4%. The Swedish state held 13.5% at the end of 2012.

### Distribution of shares, 31 Dec 2012

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	328,180	74%	102,161,310	3%
1,001–10,000	111,790	25%	269,205,393	7%
10,001–100,000	5,724	1%	137,350,799	3%
100,001–1,000,000	612	0%	189,411,659	5%
1,000,001–	300	0%	3,331,554,265	82%
<b>Total</b>	<b>446,606</b>		<b>4,029,683,426</b>	

### Share data 5 years

	2012	2011	2010	2009	2008
Share price	SEK 62.10	SEK 53.25	SEK 73.15	SEK 72.90	SEK 54.70
High/Low (SEK)	66.90 / 51.55	79.60 / 48.30	76.00 / 60.30	79.10 / 30.50	108.00 / 52.50
Market capitalisation	EUR 29.3bn	EUR 24.2bn	EUR 33.0bn	EUR 28.7bn	EUR 13.0bn
Dividend	EUR 0.34 <sup>2</sup>	EUR 0.26	EUR 0.29	EUR 0.25	EUR 0.20
Dividend yield <sup>3</sup>	4.7%	3.8%	3.6%	3.1%	4.0%
TSR	21.0%	–24.4%	3.7%	78.6%	–46.9%
DJ STOXX European banks index	23.1%	–34.0%	–27.0%	46.9%	–64.0%
P/E (actual)	9.3	9.7	12.36	11.85	7.20
Price-to-book	1.03	0.92	1.34	1.34	0.90
Equity per share <sup>4</sup>	EUR 7.01	EUR 6.47	EUR 6.07	EUR 5.56	EUR 5.29
Earnings per share <sup>4</sup>	EUR 0.78	EUR 0.65	EUR 0.66	EUR 0.60	EUR 0.79
<b>Outstanding shares<sup>1</sup></b>	<b>4,029,683,426</b>	<b>4,029,023,222</b>	<b>4,027,129,675</b>	<b>4,024,167,751</b>	<b>2,594,108,227</b>

1) Excluding shares held for the Long Term Incentive Programmes.

2) Proposed dividend.

3) Dividend yield calculated at starting price on payment day, for 2012 calculated at price per 28 December 2012.

4) Previous years restated due to rights issue.

### Change in share capital<sup>1</sup>

Date		Quota value per share <sup>2</sup> , 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 <sup>3</sup>	1.00	3,120,000	3	2,597,228,227	2,597
15 May–08	New issue <sup>4</sup>	1.00	2,880,000	3	2,600,108,227	2,600
30 Apr–09	New issue <sup>5</sup>	1.00	1,416,811,607	1,417	4,016,919,834	4,017
17 May–09	New issue <sup>5</sup>	1.00	13,247,917	13	4,030,167,751	4,030
18 May–09	New issue <sup>6</sup>	1.00	7,250,000	7	4,037,417,751	4,037
6 May–10	New issue <sup>7</sup>	1.00	5,125,000	5	4,042,542,751	4,043
5 May–11	New issue <sup>8</sup>	1.00	4,730,000	5	4,047,272,751	4,047
2 May–12	New issue <sup>9</sup>	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](http://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.

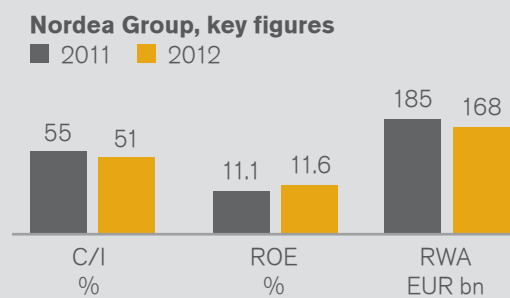
6) C-shares issued for the Long Term Incentive Programme 2009. Converted to ordinary shares 12 May 2009.

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.

# Board of Directors' report



# Financial Review 2012

## Strong capital position, flat costs and growing income

- Total operating income increased 8%
- Total operating expenses decreased 1%
- Net loan losses 28 basis points (23 basis points)
- Operating profit increased 11% (excluding the restructuring costs in the previous year)
- Return on equity (ROE) 11.6% (last year 11.1%)
- Risk-adjusted profit increased 20%
- Core tier 1 capital ratio 13.1%, excluding transition rules (last year 11.2%)
- Overall credit quality remained solid
- 85,000 relationship customers were new to Nordea
- Assets under Management up 16% to EUR 218bn
- Ambitious financial target and new capital policy

## Legal structure

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

The final regulatory responses to the financial crisis and the New Normal are yet to be seen, and to be evaluated. Nordea is following up and analysing the changes in process, which are not expected to be finalised during 2013.

## Macroeconomic development

The environment in which Nordea operates is characterised by a challenging macroeconomic development, volatile financial markets, a low-interest-rate environment and an ongoing and increased focus on the new regulations.

Global economic growth outlook has weakened further in the year. The Nordic economies have continued to perform relatively well compared to the rest of Europe, benefiting from overall sound public finances, but still with differences within the region. Denmark, which is still the most affected country, followed the eurozone into recession. Finland experienced marginally negative growth, while Norway continued to stand out as the strongest economy. Although Swedish growth has decreased, it remained positive.

Unemployment has been unchanged in the region, while consumption growth slowed down, with Denmark remaining weak. A positive development has been the stabilisation of housing prices in Denmark, while the other Nordic housing markets remain solid.

## Result summary for 2012

Total income increased by 8% in 2012 compared to 2011 and total expenses were down somewhat in accordance with the flat cost target. Net loan losses increased from last year to a level of 28 basis points of loans, broadly in line with the credit risk appetite. Operating profit was up 11% when excluding the restructuring costs last year (up 16% including these). Risk-adjusted profit increased by 20% compared to the preceding year.

## Income

Net interest income increased 5% compared to 2011. Lending volumes increased 3%, mainly household mortgage lending, and corporate lending spreads were higher, while deposit spreads decreased from 2011. Net interest margin, the average net interest income on lending and deposits, was 1.06%, down somewhat from last year.

Net fee and commission income increased 5% due to strong commission income from savings and investments as well as higher payments and lending commissions.

Net result from items at fair value increased by 18% compared to last year, following stable customer-driven capital markets activities, high results from the life insurance operations as well as good results from management of the risks inherent in the customer transactions.

Income under the equity method was EUR 93m (EUR 42m) and other income was EUR 103m (EUR 91m).

## Expenses

Total expenses increased 3% compared to last year and staff costs increased 3%, when excluding the restructuring costs last year. Total expenses decreased 0.5% compared to 2011 in local currencies when excluding the restructuring costs last year and excluding performance-related salaries and profit-sharing, ie with the cost definition for the cost target in the New Normal plan. Staff costs decreased 2% in local currencies when excluding the restructuring costs last year and excluding performance-related salaries and profit-sharing.

## Net loan losses

Net loan loss provisions increased to EUR 933m, corresponding to a loan loss ratio of 28 basis points (23 basis points last year, excluding provisions related to the Danish deposit guarantee fund). As expected, provisions for future loan losses in Denmark and shipping remained at elevated levels. In other areas, the losses were low. The loan loss ratio was broadly in line with the credit risk appetite.

## Taxes

The effective tax rate in 2012 was 24.1%, compared to 25.7% last year. The 2012 effective tax rate was affected by a reduction in income tax expenses due to a one-off effect of recalculation mainly of deferred tax liabilities, following the lowering of the tax rate in Sweden.

## Net profit and Return on equity (ROE)

Net profit increased 19% to EUR 3,126m, due to the record-high income and somewhat lower costs than last year.

Return on equity (ROE) was 11.6% (last year 11.1%, when excluding the restructuring costs in last year).

## Risk-adjusted profit

Risk-adjusted profit increased 20% compared to last year to EUR 3,245m.

### Market Consistent Embedded Value (MCEV)

The MCEV increased 39% to EUR 3,762m due to higher asset values, strengthening of the financial buffers and continuous inflow of profitable new sales. The value of new business was EUR 173m.

### Financial structure

Total assets decreased by 5% or EUR 39bn to EUR 677bn during 2012. Total liabilities decreased by 6% or EUR 41bn to EUR 649bn. 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 weakened against both the Swedish and Norwegian krona and was largely unchanged against the Danish krona during 2012. The effect of changes in currency exchange rates amounted to a total increase in the Group's assets of EUR 8bn. Liabilities increased by EUR 7bn.

### Loans

The decrease in total assets was driven by a 6% decrease in total loans, amounting to EUR 24bn, to EUR 365bn compared with one year ago and calculated in local currencies the decrease amounted to 8%. The decrease was mainly in loans to central banks, which is largely explained by a similar increase in cash and balances with central banks.

### Securities

Investments in interest-bearing securities and shares increased by EUR 10bn, or 8%, to EUR 131bn.

### Deposits and funding activities

Deposits and borrowings increased by EUR 11bn or 4% to EUR 256bn, while debt securities in issue increased by EUR 4bn or 2%. Total debt securities in issue as per the end of 2012 amounted to EUR 184bn. During 2012, long-term issuance under Nordea funding programmes amounted to EUR 29bn, excluding Danish covered bonds.

### 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" by EUR 5bn or 11%.

### Derivatives

The balance sheet items "Derivatives" reflect the net present value of derivative contracts split on positive and negative fair values. Both positive and negative fair values decreased by EUR 53bn, mainly due to that a larger portion of the derivatives were subject to central counterparty clearing, but also due to an active compression of the derivatives portfolio. The derivatives volume, measured in nominal terms, decreased by EUR 147bn, or 2%, to EUR 6,677bn. For more information, see Notes G1 and G17.

### Financial target

Nordea has established the financial target to increase return on equity (ROE) to reach a ROE of 15% in a normalised interest rate environment and with a core tier 1 capital ratio of above 13%.

### Capital position and new capital policy

The Group's core tier 1 capital ratio, excluding transition rules, increased to 13.1% at the end of 2012, a strengthening by 1.9 %-points from the end of last year. The total capital ratio excluding transition rules increased 2.8 %-points to 16.2%. Improved capital ratios have been achieved by strong profit generation and a decrease in risk-weighted assets (RWA).

Nordea has established a new capital policy, which states that, no later than 1 January 2015, the target for the core tier 1 capital ratio is to be above 13% and for the total capital ratio to be above 17%. The dividend policy remains unchanged. Excess capital is expected to be distributed to shareholders.

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

A description of the Capital position is presented under Capital management on page 66 and in Note G40.

### Credit portfolio

Total loans to the public, lending, increased to EUR 346bn, up 3% from one year ago. The share of lending to corporate customers was 53%. Lending to the shipping industry constituted 3.3% of the Group's total lending and lending to companies owned by private equity funds was less than 3% of total lending, of which 99% are senior loans.

Migration continued to be slightly positive in 2012, mainly in the retail and institutions credit portfolios. The total effect of improved credit quality on RWA was a decrease by approx. 1.3% in 2012.

Impaired loans gross in the Group increased 35% to EUR 6,905m at the end of the year compared to last year. 58% of impaired loans gross are performing loans and 42% are non-performing loans. This development has been expected, since at this point of the business cycle, it has been easier to identify specific customers, where there is a need for a loan loss provision.

Further information about the credit portfolio is presented under Risk management on page 57, in Note G47 and in the Capital and Risk Management Report 2012 published on the web pages.

### Internal guarantee at arm's length for certain exposures in Nordea Bank Finland Plc

Nordea Bank AB (publ) in December 2012 entered into a guarantee agreement with its wholly-owned subsidiary Nordea Bank Finland Plc. The guarantee is an arm's-length

internal guarantee at a total amount of maximum EUR 60bn which will transfer the credit risk attached to an identified portfolio of corporate exposures held by Nordea Bank Finland Plc to Nordea Bank AB (publ). The guarantee does not have any net impact on the risk position at Group level.

Further information is presented in supplements to base prospectuses at [nordea.com](http://nordea.com) and in Note P38 Contingent liabilities.

### Nordea's funding operations

Nordea issued approx. EUR 29bn of long-term debt during the year, excluding Danish covered bonds.

Liquidity management is presented on page 64. A maturity analysis is presented in Note G45.

### Market risk

A description of Market risk is presented on pages 61–62.

### 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.

During May 2012, the directed new issue of C-shares in Nordea resolved at the AGM 2012 as part of a hedging of the Long Term Incentive Programme 2012 was completed and the C-shares were converted into ordinary shares. Following these changes the total number of shares and votes in Nordea amounts to 4,049,951,919. All shares are ordinary shares, see also Statement of changes in equity on page 174 and a table showing the change in share capital is found on page 46. The voting rights are described on page 70. 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 the event of any issuance of new shares, warrants or convertibles. There are no restrictions in law or in the Articles of Association regarding the right to transfer shares and the Company is not aware of any agreements between shareholders in this respect.

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

On 31 December 2012 Sampo plc was the largest individual shareholder with a holding of 21.4%. The second largest was the Swedish state with a holding of 13.5%. They were the only shareholders with a holding of more than 10%. A table showing the largest registered shareholders in Nordea, end of 2012 is found on page 45.

The employees have an indirect shareholding of 0.5% in the Company through Nordea Profit-sharing Foundation (see table on page 45) and a minor indirect shareholding in the Company through the pension foundation. Voting rights are in neither case exercised directly by the employees.

### Holding of own shares

As of 31 December 2012, Nordea held 26,900,445 shares (0.5% of total number of shares) in Nordea. The quota value is EUR 1 and the acquisition price amounts to EUR 65m. These shares are partly held for trading purposes and partly as hedges of conditional rights in the Long Term Incentive Programmes.

### Dividend

The Board of Directors and CEO propose to the AGM a dividend of EUR 0.34 per share (EUR 0.26), corresponding to a payout ratio of 44% of net profit, in line with the dividend policy. Total proposed dividend amounts to EUR 1,370m.

The ex-dividend date for the Nordea share is 15 March 2013. The proposed record date for the dividend is 19 March, and dividend payments will be made on 26 March.

### Mandate to repurchase and convey own shares

In order to be able to adjust the company's capital structure to the capital requirement existing at any time and to use own shares as payment in connection with acquisitions or in order to finance such acquisitions, the Board of Directors proposes to the AGM 2013 an authorisation to decide on repurchase of own shares on a regulated market where the company's shares are listed, or by means of an acquisition offer directed to all shareholders. The authorisation is limited so that Nordea's holdings of own shares is a maximum of 10% of all shares. The Board of Directors further proposes an authorisation to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses. Conveyance may be made in another way than on a regulated market and with deviation from shareholders' pre-emptive rights.

During 2012, an authorisation to repurchase newly issued C-shares in connection with the LTIP 2012 has been in place.

### Mandate to issue of convertible instruments

The Board of Directors proposes that the AGM 2013 should authorise the Board of Directors to decide on issuing of convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by a maximum 10% of the Company's share capital. The authorisation may be used on one or several occasions up until the next AGM.

An issue of convertible instruments should be done on market conditions.

The purpose of the authorisation is to facilitate a flexible and cost-effective adjustment of the Company's capital structure to meet new capital requirements rules and attaching to new capital instruments.

### Rating

Ratings of the Nordea Group are presented on page 211.

### Personnel

Personnel expenses, significant agreements with key management personnel and the distribution by country and gender are disclosed in Note G7. More information is presented in Our people on page 40.

### Profit sharing and share-based incentive systems

In 2012, a total of approx. EUR 77m was expensed under Nordea's ordinary profit-sharing scheme for all employees and the Long-Term Incentive Programmes for managers and key employees.

For 2012, each employee could receive a maximum of EUR 3,200, of which EUR 2,600 was based on Return On Equity and an additional EUR 600 based on the level of customer satisfaction.

The Profit Sharing scheme for 2013 is based on Return On Equity and Customer Satisfaction and the possible maximum outcome of the programme is unchanged. If both performance criteria are met, the cost of the scheme will amount to a maximum of approx. EUR 100m.

The AGM 2012 approved a Long Term Incentive Programme (LTIP 2012), for up to 400 managers and key employees. To be part of the programme, the participants had to invest in Nordea shares and thereby align their interest and perspectives with the shareholders. LTIP 2012 is based on similar principles as previous programmes with matching and performance shares measuring performance over a longer time period. LTIP 2012 has as LTIP 2011 and LTIP 2010 a three-year vesting period instead of two years as the previous programmes and is based on shares free of charge instead of rights to acquire Nordea shares. The performance measures are Risk-adjusted Return on Capital at Risk and Price to Book.

### Pension liabilities

The total pension obligation in Defined Benefit Plans has decreased from EUR 3,484m to EUR 3,423m during 2012. The decrease is mainly due to pensions paid, actuarial gains and negative past service cost, partly offset by discounting effects, new pension rights earned and translation differences. The fair value of plan assets has increased from EUR 2,848m to EUR 3,125m, mainly reflecting the return on plan assets and paid contributions, partly offset by pension payments. Total unrecognised actuarial losses before social charges and income tax amounts to EUR 251m at the end of 2012 (EUR 534m). See Note G33 for more information.

### Legal proceedings

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

Further information is presented in Note G37.

### Environmental concerns and corporate social responsibility

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

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

Further information is presented under Corporate Social Responsibility on page 38 and in Nordea's CSR Report available on the web pages.

### Foreign branches

The parent company has foreign branches in Norway, Finland, Denmark, Poland and China.

### Annual General Meeting 2013

The AGM will be held on Thursday 14 March 2013 in Stockholm. Further information is presented on the last page of the Annual Report.

# Business area results

## Retail Banking, operating profit per market

EURm	Total		Denmark		Finland		Norway		Sweden		Poland & Baltic countries		Retail Banking other	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	3,967	3,673	1,220	1,166	622	683	904	670	1,218	1,076	315	288	-312	-210
Net fee and commission income	1,153	1,129	175	205	330	310	192	168	405	397	80	78	-29	-29
Net result on items at fair value	364	431	85	97	77	78	77	80	112	119	26	56	-13	1
Equity method	21	14	21	14	0	0	0	0	0	0	0	0	0	0
Other operating income	48	25	5	2	20	10	3	1	6	0	4	4	10	8
<b>Total operating income</b>	<b>5,553</b>	<b>5,272</b>	<b>1,506</b>	<b>1,484</b>	<b>1,049</b>	<b>1,082</b>	<b>1,176</b>	<b>919</b>	<b>1,741</b>	<b>1,592</b>	<b>425</b>	<b>426</b>	<b>-344</b>	<b>-230</b>
Staff costs	-1,330	-1,336	-338	-351	-223	-235	-159	-149	-289	-287	-69	-74	-252	-240
Other expenses and depr.	-1,779	-1,834	-499	-532	-423	-445	-335	-337	-593	-596	-125	-123	196	199
<b>Total operating expenses</b>	<b>-3,109</b>	<b>-3,170</b>	<b>-837</b>	<b>-883</b>	<b>-646</b>	<b>-680</b>	<b>-494</b>	<b>-486</b>	<b>-882</b>	<b>-883</b>	<b>-194</b>	<b>-197</b>	<b>-56</b>	<b>-41</b>
<b>Profit before loan losses</b>	<b>2,444</b>	<b>2,102</b>	<b>669</b>	<b>601</b>	<b>403</b>	<b>401</b>	<b>682</b>	<b>433</b>	<b>859</b>	<b>709</b>	<b>231</b>	<b>229</b>	<b>-400</b>	<b>-271</b>
Net loan losses	-610	-556	-443	-400	-46	-57	-43	-39	-38	-34	-40	-25	0	-1
<b>Operating profit</b>	<b>1,834</b>	<b>1,546</b>	<b>226</b>	<b>201</b>	<b>357</b>	<b>344</b>	<b>639</b>	<b>394</b>	<b>821</b>	<b>675</b>	<b>191</b>	<b>204</b>	<b>-400</b>	<b>-272</b>
Cost/income ratio, %	56	60	56	60	62	63	42	53	51	56	46	46		
RAROCAR, %	16	13	17	13	16	14	20	11	30	26	12	13		

### Other information, EURbn

Lending to corporates	90.7	90.3	23.7	23.6	14.7	14.9	21.3	20.2	22.7	23.8	8.2	7.8		
Household mortgage lending	126.8	119.9	30.1	28.9	25.2	24.6	27.3	25.2	37.2	34.3	7.1	7.1		
Consumer lending	24.2	24.7	12.4	12.7	5.2	5.2	0.7	0.7	5.9	5.9				
Corporate deposits	47.4	45.5	7.8	7.4	10.6	10.0	11.9	12.2	13.1	12.7	4.1	3.2		
Household deposits	76.6	72.6	23.0	21.6	22.2	22.3	8.5	7.7	20.9	19.1	2.0	1.8		

## Wholesale Banking, operating profit per unit

EURm	Total		Corporate & Institutional Banking (CIB)		Shipping, Off-shore & Oil Services		Banking Russia		Wholesale Banking other (including Capital Markets unallocated)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	1,177	1,212	820	784	331	324	231	188	-205	-84
Net fee and commission income	541	545	555	540	64	81	17	14	-95	-90
Net result on items at fair value	1,066	821	402	413	27	28	9	14	628	366
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	11	5	0	0	0	0	2	1	9	4
<b>Total operating income</b>	<b>2,795</b>	<b>2,583</b>	<b>1,777</b>	<b>1,737</b>	<b>422</b>	<b>433</b>	<b>259</b>	<b>217</b>	<b>337</b>	<b>196</b>
Staff costs	-789	-718	-39	-39	-26	-24	-69	-58	-655	-597
Other expenses and depr.	-145	-125	-448	-436	-42	-41	-39	-40	384	392
<b>Total operating expenses</b>	<b>-934</b>	<b>-843</b>	<b>-487</b>	<b>-475</b>	<b>-68</b>	<b>-65</b>	<b>-108</b>	<b>-98</b>	<b>-271</b>	<b>-205</b>
<b>Profit before loan losses</b>	<b>1,861</b>	<b>1,740</b>	<b>1,290</b>	<b>1,262</b>	<b>354</b>	<b>368</b>	<b>151</b>	<b>119</b>	<b>66</b>	<b>-9</b>
Net loan losses	-314	-173	-68	-31	-240	-135	-6	-8	0	1
<b>Operating profit</b>	<b>1,547</b>	<b>1,567</b>	<b>1,222</b>	<b>1,231</b>	<b>114</b>	<b>233</b>	<b>145</b>	<b>111</b>	<b>66</b>	<b>-8</b>
Cost/income ratio, %	33	33	27	27	16	15	42	46		
RAROCAR, %	21	19	23	21	26	28	32	22		

### Other information, EURbn

Lending to corporates	88.8	91.8	42.9	45.5	13.0	13.6	6.2	6.1	26.7	26.6
Lending to households	0.4	0.4					0.4	0.4		
Corporate deposits	63.7	59.1	39.8	37.0	4.8	4.7	2.2	2.4	16.9	15.0
Household deposits	0.2	0.2					0.2	0.2		

**Wealth Management, operating profit per unit**

EURm	Total		Asset Management		Private Banking		Life & Pensions		Wealth Management other	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	127	130	1	4	113	116	0	0	13	10
Net fee and commission income	918	839	427	381	286	263	205	194	0	1
Net result on items at fair value	408	308	4	-5	85	92	319	221	0	0
Equity method	0	0	0	0	0	0	0	0	0	0
Other operating income	39	16	6	4	11	7	22	1	0	4
<b>Total operating income</b>	<b>1,492</b>	<b>1,293</b>	<b>438</b>	<b>384</b>	<b>495</b>	<b>478</b>	<b>546</b>	<b>416</b>	<b>13</b>	<b>15</b>
Staff costs	-475	-451	-117	-109	-163	-149	-122	-125	-73	-68
Other expenses and depr.	-307	-290	-100	-103	-179	-170	-89	-84	61	67
<b>Total operating expenses</b>	<b>-782</b>	<b>-741</b>	<b>-217</b>	<b>-212</b>	<b>-342</b>	<b>-319</b>	<b>-211</b>	<b>-209</b>	<b>-12</b>	<b>-1</b>
<b>Profit before loan losses</b>	<b>710</b>	<b>552</b>	<b>221</b>	<b>172</b>	<b>153</b>	<b>159</b>	<b>335</b>	<b>207</b>	<b>1</b>	<b>14</b>
Net loan losses	-2	0	0	0	-2	0	0	0	0	0
<b>Operating profit</b>	<b>708</b>	<b>552</b>	<b>221</b>	<b>172</b>	<b>151</b>	<b>159</b>	<b>335</b>	<b>207</b>	<b>1</b>	<b>14</b>
Cost/income ratio, %	52	57	50	55	69	67	39	50		
RAROCAR, %	20	25			32	30	13	13		
<b>Other information, EURbn</b>										
Lending to households	9.0	8.0			9.0	8.0				
Deposits from the public	10.5	10.7			10.5	10.7				

**Group Corporate Centre, operating profit**

EURm	2012	2011
Net interest income	404	358
Net fee and commission income	-6	-12
Net result on items at fair value	86	12
Equity method	0	0
Other operating income	3	1
<b>Total operating income</b>	<b>487</b>	<b>359</b>
<b>Total operating expenses</b>	<b>-164</b>	<b>-161</b>
<b>Operating profit</b>	<b>323</b>	<b>198</b>

**Life & Pensions, profit drivers**

EURm	2012	2011
<b>Profit drivers</b>		
Profit Traditional products	119	39
Profit Market Return products	118	75
Profit Risk products	56	55
<b>Total product result</b>	<b>293</b>	<b>169</b>
<b>Return on shareholders' equity, other profits and group adjustments</b>	<b>42</b>	<b>38</b>
<b>Operating profit</b>	<b>335</b>	<b>207</b>

**MCEV composition of Nordea Life & Pensions**

EURm	2012	2011
Denmark	910	421
Finland	1 219	800
Norway	883	821
Sweden	464	475
Poland	285	198
<b>Total</b>	<b>3,762</b>	<b>2,714</b>

**Value of new business**

Traditional business (APE)	24	34
Unit-linked (APE)	146	150
Risk products	3	4

**New business margin**

Traditional business	15%	7%
Unit-linked	33%	31%
Risk products	14%	18%

**Total Nordea Group and Business Areas**

<b>EURm</b>	Retail Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	3,967	3,673	1,177	1,212	127	130	404	358	77	83	5,752	5,456
Net fee and commission income	1,153	1,129	541	545	918	839	-6	-12	-102	-106	2,504	2,395
Net result on items at fair value	364	431	1,066	821	408	308	86	12	-140	-55	1,784	1,517
Equity method	21	14	0	0	0	0	0	0	72	28	93	42
Other operating income	48	25	11	5	39	16	3	1	2	44	103	91
<b>Total operating income</b>	<b>5,553</b>	<b>5,272</b>	<b>2,795</b>	<b>2,583</b>	<b>1,492</b>	<b>1,293</b>	<b>487</b>	<b>359</b>	<b>-91</b>	<b>-6</b>	<b>10,236</b>	<b>9,501</b>
Staff costs	-1,330	-1,336	-789	-718	-475	-451	-71	-61	-383	-547	-3,048	-3,113
Other expenses	-1,669	-1,742	-106	-104	-304	-285	-92	-100	311	317	-1,860	-1,914
Depreciations	-110	-92	-39	-21	-3	-5	-1	0	-125	-74	-278	-192
<b>Total operating expenses</b>	<b>-3,109</b>	<b>-3,170</b>	<b>-934</b>	<b>-843</b>	<b>-782</b>	<b>-741</b>	<b>-164</b>	<b>-161</b>	<b>-197</b>	<b>-304</b>	<b>-5,186</b>	<b>-5,219</b>
Net loan losses	-610	-556	-314	-173	-2	0	0	0	-7	-6	-933	-735
<b>Operating profit</b>	<b>1,834</b>	<b>1,546</b>	<b>1,547</b>	<b>1,567</b>	<b>708</b>	<b>552</b>	<b>323</b>	<b>198</b>	<b>-295</b>	<b>-316</b>	<b>4,117</b>	<b>3,547</b>
Cost/income ratio, %	56	60	33	33	52	57	34	45			51	55
RAROCAR, %	16	13	21	19	20	25					17.6	15.5
<b>Volumes, EURbn</b>												
Lending to corporates	90.7	90.3	88.8	91.8					6.4	2.1	185.9	184.2
Household mortgage lending	126.8	119.9	0.4	0.4	5.6	4.9					132.8	125.2
Consumer lending	24.2	24.7			3.4	3.1					27.6	27.8
Corporate deposits	47.4	45.5	63.7	59.1					2.3	2.0	113.4	106.6
Household deposits	76.6	72.6	0.2	0.2	10.5	10.7					87.3	83.5

# 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 incorporated into 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, market, liquidity, business, life and operational risk management as well as the ICAAP. All policies are reviewed at least annually.

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

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

### CEO and GEM

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

The CEO in Group Executive Management (GEM) decides on the targets for the Group's risk management regarding 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 financial risks as well as capital management for decision by the CEO in GEM.
- 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 allocate the respective limits within the unit and may introduce more detailed limits and other risk-mitigating techniques such as stop-loss rules. The Risk Committee has established sub-committees for its work and decision-making within specific risk areas.

- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO, while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk customer limits and industry policies for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

### CRO and CFO

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 as well as the capital adequacy framework. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base 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.

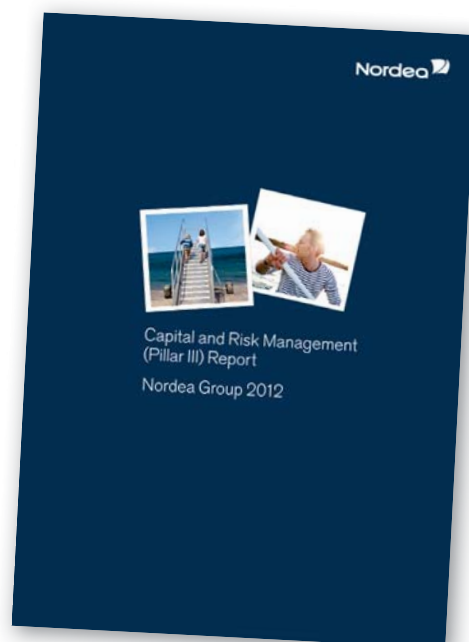
### Monitoring and reporting

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 RWA, is regularly made to GEM and the Board of Directors. Group Internal Audit (GIA) makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan.

### Disclosure requirements of the CRD – Capital and Risk Management Report 2012

Additional and more detailed information on risk and capital management is presented in the disclosure in line with the requirements of the CRD in the Basel II framework. The report with this disclosure, Capital and Risk Management Nordea Group 2012, is publicly available at [www.nordea.com](http://www.nordea.com).



*Nordea's Capital and Risk Management Report 2012, available on [www.nordea.com](http://www.nordea.com)*

# Risk management

## Credit Risk management

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

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

## Credit risk definition and identification

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

## Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea works continuously to review the quality of the credit exposures. Weak and impaired

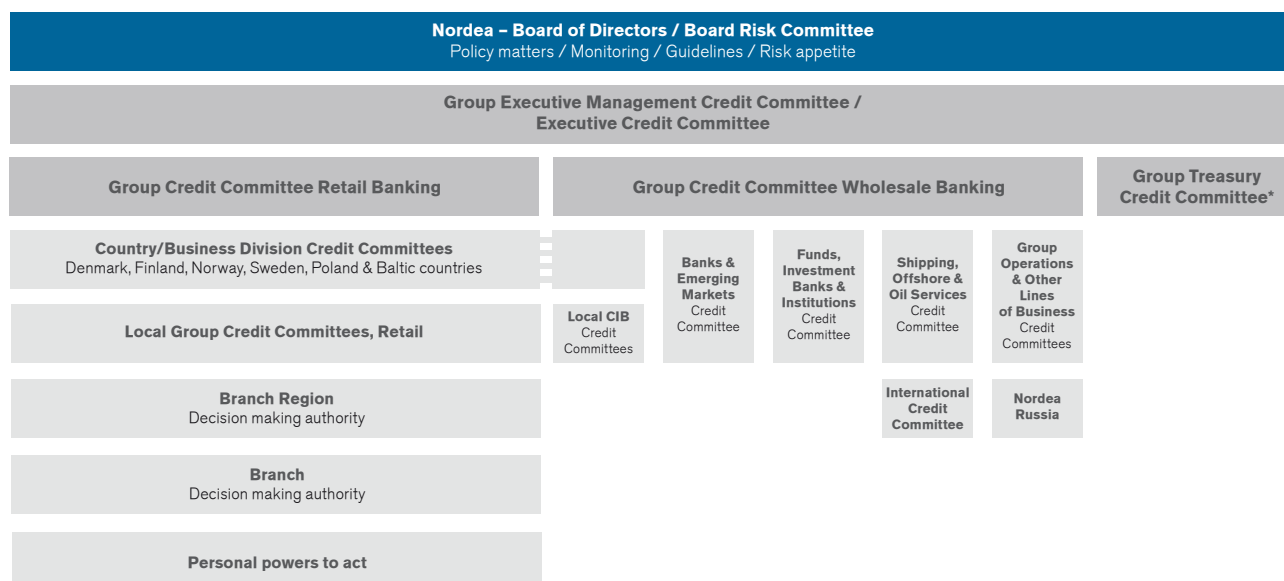
exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

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

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

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

## Credit decision-making structure for main operations



\* Making decisions and allocations within limits approved by ECC.

### Credit risk exposure and loans

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

EURm	31 Dec 2012	31 Dec 2011
<b>Loans to credit institutions</b>	18,574	51,865
<b>Loans to the public</b>	346,251	337,203
– of which corporate	182,774	181,221
– of which household	158,831	150,960
– of which public sector	4,646	5,023
<b>Total loans</b>	<b>364,825</b>	<b>389,069</b>
Off-balance credit exposure <sup>1</sup>	105,989	109,572
Counterparty risk exposure <sup>2</sup>	44,294	44,910
Treasury bills and interest-bearing securities <sup>3</sup>	79,784	76,337
<b>Total credit risk exposure in the banking operations</b>	<b>594,892</b>	<b>619,888</b>
Credit risk exposure in the life insurance operations	23,120	23,419
<b>Total credit risk exposure including life insurance operations</b>	<b>618,012</b>	<b>643,307</b>

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

2) After closeout netting and collateral agreements, including current market value exposure as well as potential future exposure.

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

### Credit portfolio

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

Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 618bn (EUR 643bn last year). Total credit risk according to the CRD definition was at year end after Credit Conversion Factor EUR 513bn (EUR 516bn). See more info and breakdown of exposure according to the CRD definition in Note G47 and in the Capital and Risk management report.

Nordea's total loans to the public increased by 3% to EUR 346bn during 2012 (EUR 337bn 2011). It is attributable to an increase of approx. 1% in the corporate portfolio and 5% in the household portfolio. The overall credit quality is solid with strongly rated customers and a slightly positive effect from rating migration on total in the portfolio. Out of lending to the public, corporate customers accounted for 53% (54%) and household customers 46% (45%). Lending in the Baltic countries constitutes 2.4% (2.5%) and the shipping and offshore industry 3.3% (3.6%) 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 credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 19bn at the end of 2012 (EUR 52bn).

### Loans to corporate customers

Loans to corporate customers at the end of 2012 amounted to EUR 183bn (EUR 181bn), up 1%. The industries that increased the most in 2012 were Consumer Staples, Real Estate, and Other while the sectors that decreased most were Industrial Commercial Services, Financial Institutions and Retail Trade. The concentration of the three largest industries is approximately 21% of total lending. Real Estate remains the largest sector in Nordea's lending portfolio, at EUR 45.4bn (EUR 44.8bn). The real estate portfolio predominantly consists of relatively large and financially strong companies, with 80% (76%) of the lending in rating grades 4- and higher. More than 40% of the lending to the real estate industry is to companies managing mainly residential real estate.

Loans to shipping and offshore decreased by 7% to EUR 11.4bn in 2012 (EUR 12.2bn). 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 average rating slightly below 4. Nordea is a leading bank to the global shipping and offshore sector with strong brand recognition and a world leading loan syndication franchise. Reflecting Nordea's global customer strategy, there is an even distribution between Nordic and non-Nordic customers.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 69% (67%) 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 do not substitute collaterals, but are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

### Loans to household customers

In 2012 lending to household customers increased by 5% to EUR 159bn (EUR 151bn). Mortgage loans increased by 8% to EUR 129bn and consumer loans decreased by 4% to EUR 29bn. The proportion of mortgage loans of total household loans was 82% (80%), of which the Nordic market accounted for 94%.

### Geographical distribution

Lending to the public distributed by borrower domicile shows that the Nordic countries and Poland, Baltic countries and Russia account for 91% (91%). The portfolio is geographically well diversified with no market accounting for more than 30% of total lending. Of the Nordic countries

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

2012–12–31, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Poland	Russia	Group 2012	Group 2011
Energy (oil, gas etc)	5	980	1,022	1,514	92	9	1,193	4,814	4,984
Metals and mining materials	20	339	213	242	14	2	1,075	1,906	1,984
Paper and forest materials	346	806	90	711	44	5	126	2,129	2,512
Other materials (building materials etc.)	591	1,739	507	1,787	386	96	647	5,753	5,929
Industrial capital goods	432	514	214	723	15	34	17	1,950	2,022
Industrial commercial services, etc.	5,547	1,444	3,407	3,032	256	186	3	13,876	16,007
Construction and engineering	1,171	814	1,700	699	274	42	38	4,739	4,951
Shipping and offshore	946	4,050	5,624	796	1	3	0	11,419	12,172
Transportation	780	728	936	1,321	598	27	226	4,616	4,505
Consumer durables (cars, appliances etc)	462	846	959	888	80	15	27	3,277	3,455
Media and leisure	933	558	667	696	100	25	5	2,985	2,803
Retail trade	4,167	2,224	1,511	2,519	554	90	71	11,136	11,559
Consumer staples (food, agriculture, etc.)	7,773	1,641	2,273	542	374	122	12	12,737	11,819
Health care and pharmaceuticals	561	302	220	805	61	2	25	1,976	2,088
Financial institutions	3,366	800	699	6,793	170	54	0	11,883	12,547
Real estate	7,886	8,192	10,569	16,430	1428	307	563	45,374	44,823
IT software, hardware and services	745	381	225	365	11	12	0	1,738	1,505
Telecommunication equipment	11	90	1	5	1	0	36	144	175
Telecommunication operators	129	549	121	499	6	15	65	1,384	1,229
Utilities (distribution and productions)	1,522	1,073	974	1,764	540	35	0	5,908	5,406
Other, public and organisations	1,860	28,619	111	2,141	279	23	0	33,033	28,744
<b>Total corporate loans</b>	<b>39,253</b>	<b>56,688</b>	<b>32,043</b>	<b>44,273</b>	<b>5,282</b>	<b>1,106</b>	<b>4,128</b>	<b>182,774</b>	<b>181,221</b>
Household mortgage loans	28,980	26,885	28,727	37,323	3,067	4,135	380	129,498	120,354
Household consumer loans	12,072	7,395	1,196	6,402		73	41	29,333	30,606
Public sector	1,195	768	87	2,193	31	369	2	4,646	5,023
<b>Total loans to the public</b>	<b>81,499</b>	<b>91,737</b>	<b>62,054</b>	<b>90,190</b>	<b>8,380</b>	<b>5,683</b>	<b>4,553</b>	<b>346,251</b>	<b>337,203</b>
Loans to credit institutions	6,439	7,860	546	3,261	2	3	279	18,574	51,865
<b>Total loans</b>	<b>87,938</b>	<b>99,597</b>	<b>62,600</b>	<b>93,451</b>	<b>8,382</b>	<b>5,687</b>	<b>4,831</b>	<b>364,825</b>	<b>389,069</b>

Finland has the largest share of lending with approx. 27% or EUR 92bn. Other EU countries represent the main part of lending outside the Nordic countries.

At the end of 2012, lending to customers in the Baltic countries was EUR 8.4bn (EUR 8.3bn), in Poland EUR 5.7bn (EUR 5.6bn), and in Russia EUR 4.8bn (EUR 4.5bn).

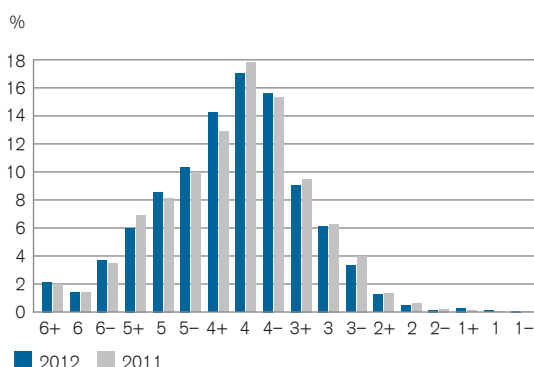
#### Rating and scoring distribution

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.

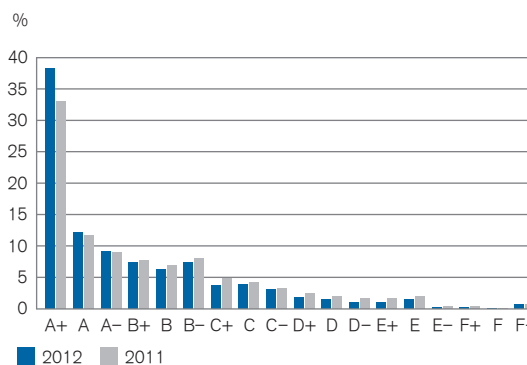
The credit quality was slightly improved in the corporate credit portfolio as well as in the scoring portfolio in 2012. 26% of the number of corporate customers migrated upwards (32%) while 24% were down-rated (21%). Exposure-wise, 23% (35%) of the corporate customer exposure migrated upwards while 21% (16%) was down-rated.

79% (78%) of the corporate exposure were rated 4– or higher, with an average rating for this portfolio of 4+. Institutions and retail customers on the other hand exhibit a distribution that is biased towards the higher rating grades. 92% (89%) of the retail exposures is scored C– or higher, which indicates a probability of default of 1% or

#### Rating distribution IRB Corporate customers



#### Risk grade distribution IRB Retail customers



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

2012–12–31, EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Poland	Russia	Group	Allowances	Provisioning ratio
Energy (oil, gas etc)	0	0	0	0	0	0	0	0	4	-
Metals and mining materials	1	1	54	0	0	0	0	56	19	35%
Paper and forest materials	4	2	2	0	0	0	0	8	8	109%
Other materials (building mtrl etc)	27	143	75	82	16	7	13	362	211	58%
Industrial capital goods	18	13	0	0	0	0	0	32	48	153%
Industrial commercial services etc	279	141	20	26	20	3	0	488	197	40%
Construction and engineering	104	41	26	10	10	39	18	247	125	51%
Shipping and offshore	293	329	195	54	0	0	0	871	295	34%
Transportation	35	22	3	4	0	7	0	70	31	44%
Consumer durables (cars,appl.etc)	44	28	1	2	1	0	0	77	55	72%
Media and leisure	54	47	5	7	2	0	0	115	61	53%
Retail trade	175	140	11	15	22	5	0	369	178	48%
Consumer staples (food, agric. etc)	888	18	7	3	11	1	4	932	274	29%
Health care and pharmaceuticals	12	13	2	0	0	0	0	27	11	41%
Financial institutions	135	16	1	4	0	0	0	157	92	59%
Real estate	324	17	114	17	217	0	0	687	243	35%
IT software, hardware, services	25	46	4	18	0	0	0	93	40	43%
Telecommunication equipment	0	5	0	0	0	0	0	5	5	94%
Telecommunication operators	0	0	40	0	0	0	0	41	14	35%
Utilities (distribution, production)	14	1	5	0	0	0	0	19	11	56%
Other, public and organisations	205	42	0	0	9	0	0	256	97	38%
<b>Total corporate impaired loans</b>	<b>2,636</b>	<b>1,064</b>	<b>565</b>	<b>243</b>	<b>307</b>	<b>62</b>	<b>34</b>	<b>4,911</b>	<b>2,023</b>	<b>41%</b>
Household mortgage loans	531	73	41	61	201	54	4	964	193	20%
Household consumer loans	592	235	40	126	0	3	9	1,004	603	60%
Public sector	0	0	0	0	0	0	0	0	0	104%
Credit institutions	0	24	0	0	0	0	0	24	28	116%
<b>Total impaired loans gross</b>	<b>3,759</b>	<b>1,396</b>	<b>646</b>	<b>429</b>	<b>508</b>	<b>120</b>	<b>47</b>	<b>6,905</b>		
<b>Total allowances</b>	<b>1,397</b>	<b>643</b>	<b>283</b>	<b>216</b>	<b>192</b>	<b>75</b>	<b>38</b>		<b>2,848</b>	
<b>Provisioning ratio</b>	<b>37%</b>	<b>46%</b>	<b>44%</b>	<b>50%</b>	<b>38%</b>	<b>62%</b>	<b>81%</b>			<b>41%</b>

lower. Impaired loans are not included in the rating/scoring distributions. The total effect on credit risk-weighted amount (RWA) from rating migration was a decrease of approx. 1.3% during the full year 2012

**Impaired loans**

Impaired loans gross in the Group increased 35% during the year to EUR 6,905m from EUR 5,125m, corresponding to 188 basis points of total loans. 58% of impaired loans gross are performing loans and 42% are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to EUR 4,505m (EUR 3,233m), corresponding to 123 basis points of total loans. Allowances for individually assessed loans increased to EUR 2,400m from EUR 1,892m. Allowances for collectively assessed loans decreased to EUR 448m from EUR 579m following improved rating of the corporate customers. The ratio of individual allowances to cover impaired loans was unchanged at 35% while total allowances in relation to impaired loans decreased to 41% (45%).

The increase in impaired loans is mainly related to Denmark where an increase of 53% was seen in 2012. Due to the prolonged difficult economic environment, the housing market remains weak. Core fundamentals in Danish economy are still relatively strong with expected moderate

GDP growth in 2013, strong public financials, low interest rate, low unemployment level and the number of household mortgage customers facing problems is limited. Most corporates are financially strong with a relatively good outlook. The sectors with the largest increases in impaired loans were Shipping and Offshore, Consumer Staples, Real Estate as well as household mortgages.

Past due loans 6 days or more to corporate customers that are not considered impaired increased to EUR 1,929m (EUR 1,443m) while past due loans to household customers were largely unchanged at EUR 1,773m (EUR 1,754m) in 2012.

During 2012, forbearances such as negotiated terms of interests/maturities due to borrower's financial distress have been on a slightly higher level than last year. Typically impairment testing is undertaken in a forbearance situation.

At the end of 2012, gross impaired loans in the Baltic countries amounted to EUR 509m or 607 basis points of total loans and receivables, compared with EUR 497m or 596 basis points at the end of 2011. The total allowances for the Baltic countries at the end of 2012 were EUR 191m (EUR 252m) corresponding to 223 basis points of the lending portfolio (293 basis points). The provisioning ratio in the Baltic countries was 38%, down from 51% one year ago.

**Impaired loans and ratios**

EURm	2012	2011
Impaired loans gross, Group	6,905	5,125
of which performing	4,023	2,946
of which non-performing	2,882	2,179
Impaired loans ratio, basis points	188	131
Total allowance ratio, basis points	77	63
Provisioning ratio	41%	48%

**Net loan losses**

Loan losses increased to EUR 933m in 2012 from EUR 735m in 2011. This corresponded to a loan loss ratio of 28 basis points (23 basis points last year). Nordea's risk appetite over the cycle is 25 basis points in loan losses. Loan losses were mainly concentrated to two specific areas, Denmark and Shipping. In other areas loan losses were relatively stable at a low level.

EUR 676m relates to corporate customers (EUR 481m) and EUR 253m (EUR 263m) relates to household customers of which EUR 191m is loan losses relating to consumer loans (EUR 201m). Within corporates the main losses were in sectors Shipping and Offshore, Consumer Staples and Construction and Civil Engineering. The tanker, dry cargo, and container markets have been weak due to lower global demand and growth. This has affected freight rates negatively and caused further deterioration of collateral, resulting in additional loan loss provisions in Shipping. The reduced investment appetite for shipping assets and banks' lower willingness to lend to shipping companies has made restructurings more difficult. In other shipping segments, the situation is more stable. Nordea has necessary work-out resources to handle problem customers and early identification of new potential risk customers.

Collective net loan losses were positive EUR 131m following positive rating migration during the year (EUR 206m).

In the Baltic countries, the loan loss ratio was 4 basis points compared to 14 basis points a year ago.

**Net loan losses and loan loss ratios**

Basis points of loans	2012	2011
Net loan losses, EURm	-933	-735
Loan loss ratio, Group	28	23
of which individual	31	30
of which collective	-3	-7
Loan loss ratio, Retail Banking	26	23
Loan loss ratio, Corporate & Institutional Banking	15	7
Loan loss ratio, Shipping, Offshore & Oil Services	176	99
Loan loss ratio, Baltic countries	4	14

**Counterparty risk**

Counterparty risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. The pre-settlement risk ("worst-case-scenario") at the end of 2012 was EUR 44bn, of which the current exposure net (after close-out netting and collateral reduction) represents EUR 11bn. 49% of the pre-settlement risk and 18% of the current exposure net was towards financial institutions.

**Market risk**

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

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

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

Earnings and cost streams generated in foreign currencies or from foreign branches generate an FX exposure, which for the individual Nordea companies is handled in each company's FX position. Direct profit and loss in foreign exchange in the individual Nordea companies must be hedged at least monthly.

In addition to the immediate change in the market value of Nordea's assets and liabilities from a change in financial market variables, a change in interest rates could also affect the net interest income over time. In Nordea, this is seen as structural interest income risk (SIIR).

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

**Measurement of market risk**

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

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

It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have

**Consolidated market risk figures, VaR<sup>1</sup>**

EURm	Measure	31 Dec 2012	High 2012	Low 2012	Average 2012	31 Dec 2011
Total risk	VaR	30.8	67.1	28.6	43.2	47.2
– Interest rate risk	VaR	35.9	74.6	28.2	42.3	37.9
– Equity risk	VaR	10.6	11.6	1.9	5.6	6.1
– Credit spread risk	VaR	15.9	19.3	8.1	12.9	11.2
– Foreign exchange risk	VaR	13.2	16.5	2.8	8.0	5.0
Diversification effect	VaR	60%	60%	15%	37%	22%

1) For a description of Nordea's VaR model, see "Measurement of market risk" p.61

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

**Market risk analysis**

The consolidated market risk for the Nordea Group, presented in the table above, includes both the trading book and the banking book. The total VaR was EUR 31m at the end of 2012 (EUR 47m at the end of 2011) demonstrating a considerable diversification effect between interest rate, equity, credit spread and foreign exchange risk, as the total VaR is lower than the sum of the risk in the different categories. The commodity risk was at an insignificant level.

The fair value of the portfolio of illiquid alternative investments was EUR 584m at the end of 2012 (EUR 638m at the end of 2011), of which hedge funds EUR 173m, private equity funds EUR 277m, credit funds EUR 115m and seed-money investments EUR 19m. All four types of investments are spread over a number of funds.

**Foreign exchange rate positions in FX VaR<sup>1</sup>**

EURm	2012	2011
DKK	1,600.0	315.2
NOK	151.1	10.6
CHF	-129.3	-34.8
USD	85.5	110.3
SEK	6.9	-0.6
Other	12.3	-46.8

1) The disclosed FX positions relate to positions in financial instruments in the banking book and trading book. Financial derivatives are included with their delta equivalent. Structural FX risk e.g. related to investments in subsidiaries and associated companies or related to earnings and cost streams denominated in foreign currencies, are not included.

**Structural Interest Income Risk (SIIR)**

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

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

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

Group Treasury has the responsibility for the operational management of SIIR.

**SIIR measurement methods**

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

**SIIR analysis**

At the end of the year, the SIIR for increasing market rates was EUR 442m (EUR 179m) and the SIIR for decreasing market rates was EUR -492m (EUR -276m). These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall. The methodology for deriving SIIR figures was improved during 2012 which explains the largest change in SIIR from 2011 as 2011 figures have not been restated.

**Operational risk**

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

Operational risk includes compliance risk, which is the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics. Managing operational risk is part of the management's responsibilities. In order to manage these risks, a common set of standards and a sound risk management culture is aimed for with the objective to follow best prac-

tice regarding market conduct and ethical standards in all business activities. The key principle of Operational risk in Nordea is the three lines of defence. The first line of defence is represented by the business organisation which includes the risk and compliance officer network. The risk and compliance officers ensure that operational and compliance risk is managed effectively within the business organisation and consequently they are located in the first line of defence but performing second line of defence tasks. Group Operational Risk and Compliance, representing the second line of defence, has defined a common set of standards (Group Directives, processes and reporting) in order to manage these risks.

The key process for active risk management is the annual risk and control self-assessment process which puts focus on identifying key risks as well as ensuring fulfilment of requirements specified in the group directives. Key risks are identified both through top-down Division management involvement and through bottom-up analysis of result from control questions as well as existing information from processes such as incident reporting, quality and risk analyses, and product approvals. The timing of this process is synchronised with the annual planning process to be able to ensure adequate input to the Group's overall prioritisations. In addition to the risk and control self-assessment process, Nordea has, in 2012, introduced a group-wide scenario analysis process focusing on extreme operational risks

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

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

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

The life insurance risk is the risk of unexpected losses due to changes in 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 provisions for risks.

The market risks arising from the shareholders' equity invested in Life & Pensions affects Nordea's own account, while market risks from the customer portfolio are managed through an Asset Liability Management Policy. The

market risk for Nordea's own account from the customers' funds arises mainly from investment return, size of financial buffers and the interest level and is measured as a loss in operating income, due to movements in financial market prices.

# Liquidity management

## Key issues during 2012

During 2012, Nordea continued to benefit from its focus on prudent liquidity risk management, in terms of maintaining a diversified and strong funding base. Nordea had access to all relevant financial markets and was able to actively use all of its funding programmes. Nordea issued approximately EUR 29bn in long-term debt, of which approximately EUR 12bn in the Swedish, Finnish and Norwegian covered bond markets. Swedish FSA has introduced Liquidity Coverage Ratio (LCR) requirement to be implemented in the beginning of 2013, and Nordea is LCR compliant in all currencies combined and separately in USD and EUR.

## Management principles and control

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

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

## Liquidity risk management

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

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

Nordea's funding sources are presented in a table below. As of year-end 2012, the total volume utilised under short-term programmes was EUR 57.2bn with the average maturity being 0.2 years. The total volume under long-term programmes was EUR 127.2bn with average maturity being 6.1 years. During 2012, the volume of long-term programmes increased by EUR 14.1bn whilst the volume of short-term programmes decreased by EUR 9.6bn. Trust is fundamental in the funding market, therefore Nordea periodically publishes information on the liquidity situation of the Group.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential

effects on a bank's liquidity situation under a set of exceptional but plausible events. Stress testing framework includes also survival horizon metrics (see below), which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

## Liquidity risk measurement methods

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

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

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

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

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

## Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2012. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +10.1bn (EUR -5.8bn). Nordea's liquidity buffer range was EUR 57.3 – 68.9bn (EUR 51.3bn – 65.0bn) throughout 2012 with an average buffer size of EUR 63.1bn (EUR 59.3bn). 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 23.2bn – 68.0bn (EUR 8.3bn – 50.9bn) throughout 2012 with an average of EUR 47.2bn. The aim of always maintaining a positive NBSF was comfortably achieved throughout 2012. The

yearly average for the NBSF was EUR 54.1bn (EUR 48.4bn). The methodology for deriving NBSF was changed during 2012 and the figure for 2011 is not directly comparable as it has not been restated.

The Liquidity Coverage Ratio (LCR) for the Nordea Group was 127% at the end of 2012. The LCR in EUR was 181% and in USD 283% at the end of 2012.

### Net balance of stable funding, 31 December 2012

Stable liabilities and equity, EURbn	Amount
Tier 1 and tier 2 capital	27.5
Secured/unsecured borrowing >1 year	115.9
Stable retail deposits	31.4
Less stable retail deposits	61.2
Wholesale deposits <1 year	84.3
<b>Total stable liabilities</b>	<b>320.2</b>
<b>Stable assets, EURbn</b>	<b>Amount</b>
Wholesale and retail loans >1 year	238.4
Long-term lending to banks and financial companies	1.5
Other illiquid assets	9.8
<b>Total stable assets</b>	<b>249.6</b>
<b>Off-balance-sheet items</b>	<b>2.7</b>
<b>Net balance of stable funding (NBSF)</b>	<b>67.9</b>

### Funding sources, 31 December 2012

Liability type, EURm	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
– shorter than 3 months	Euribor etc	0.0	52,721
– longer than 3 months	Euribor etc	1.0	2,705
Deposits and borrowings from the public			
– Deposits on demand	Administrative	0.0	122,052
– Other deposits	Euribor etc	0.3	78,626
Debt securities in issue			
– Certificates of deposits	Euribor etc	0.3	18,627
– Commercial papers	Euribor etc	0.2	38,524
– Mortgage covered bond loans	Fixed rate, market-based	7.5	84,198
– Other bond loans	Fixed rate, market-based	3.3	42,992
Derivatives		n.a.	114,203
Other non-interest-bearing items		n.a.	41,440
Subordinated debentures			
– Dated subordinated debenture loans	Fixed rate, market-based	6.8	5,219
– Undated and other subordinated debenture	Fixed rate, market-based	n.a.	2,578
Equity			28,216
<b>Total (total liabilities and equity)</b>			<b>632,100</b>
Liabilities to policyholders (in the Life insurance operations)			45,320
<b>Total (total liabilities and equity) including Life insurance operations</b>			<b>677,420</b>

For a maturity breakdown, see Note G45.

### Liquidity buffer split by type of asset and currency, 31 December 2012

According to Swedish FSA and Swedish Bankers' Association definition, as well as Nordea definition

EURm	SEK	EUR	USD	Other	Total
Cash and balances with central banks	1,005	12,711	16,971	13,378	44,065
Balances with other banks	942	0	0	25	967
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks *	1,804	5,159	5,300	3,966	16,230
Securities issued or guaranteed by municipalities or other public sector entities *	846	428	372	281	1,928
Covered bonds *:					
- Securities issued by other bank or financial institute	7,626	8,632	352	9,110	25,719
- Securities issued by the own bank or related unit	62	3,212	0	9,560	12,834
Securities issued by non-financial corporates *	0	0	0	0	0
Securities issued by financial corporates, excluding covered bonds *	125	220	2,090	103	2,538
All other eligible and unencumbered securities	0	35	195	10	240
<b>Total (according to Swedish FSA and Swedish Bankers' Association definition)</b>	<b>12,411</b>	<b>30,397</b>	<b>25,279</b>	<b>36,432</b>	<b>104,519</b>
<b>Adjustments to Nordea's official buffer **</b>	<b>-2,150</b>	<b>-13,054</b>	<b>-17,132</b>	<b>-8,396</b>	<b>-40,732</b>
<b>Total (according to Nordea definition)</b>	<b>10,261</b>	<b>17,343</b>	<b>8,143</b>	<b>28,036</b>	<b>63,787</b>

\* 0–20 % risk weight

\*\* Cash and balances with other banks/central banks (-), central bank haircuts(-)

# 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.

Nordea is included in the Financial Stability Board's (FSB's) list of globally systemically important banks, G-SIBs. The inclusion is expected to lead to additional capital requirements in 2013 as the CRD IV comes into force.

## Capital requirements

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

## Capital requirements and RWA

EURm	31 Dec 2012		31 Dec 2011
	Capital requirement	Basel II RWA	Basel II RWA
<b>Credit risk</b>	<b>11,627</b>	<b>145,340</b>	<b>161,604</b>
IRB foundation	9,764	122,050	123,686
– of which corporate	7,244	90,561	86,696
– of which institution	671	8,384	11,215
– of which retail SME	915	11,439	13,017
– of which retail mortgage	721	9,007	10,005
– of which retail other	101	1,264	1,345
– of which other	112	1,395	1,408
<b>Standardised</b>	<b>1,863</b>	<b>23,290</b>	<b>37,918</b>
– of which sovereign, institutions	34	1,009	1,663
– of which corporate	47	9,160	23,557
– of which retail	732	10,752	9,934
– of which other	860	2,369	2,764
<b>Market risk</b>	<b>506</b>	<b>6,323</b>	<b>8,144</b>
– of which trading book, Internal approach	312	3,897	4,875
– of which trading book, Standardised approach	138	1,727	2,571
– of which banking book, Standardised approach	56	699	698
<b>Operational risk</b>	<b>1,298</b>	<b>16,229</b>	<b>15,452</b>
Standardised	1,298	16,229	15,452
<b>Sub total</b>	<b>13,431</b>	<b>167,892</b>	<b>185,200</b>
<b>Adjustment for transition rules</b>			
Additional capital requirement according to transition rules	3,731	46,631	38,591
<b>Total</b>	<b>17,162</b>	<b>214,523</b>	<b>223,791</b>

## New capital policy

Nordea has established a new capital policy for the new regulatory environment.

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

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

## Minimum capital requirements

Risk-weighted assets (RWA) are calculated in accordance with the requirements in the CRD. Nordea had 78% of the exposure covered by internal rating based (IRB) approaches by the end of 2012 and has during the year implemented the Foundation IRB approach for the corporate and institutions portfolio in Baltic countries as well as in International Units.

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 assessment

Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on the minimum capital requirements and on internally identified risks. In effect, the internal capital requirement is a combination of risks defined by Capital Requirements Directive (CRD) and identified risks which are incremental to those defined by the CRD. The following major risk types are included: credit risk, market risk, operational risk, business risk and life insurance 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.

Nordea's Economic Capital model is based on the same risk components as the ICAAP but also includes risks in the insurance businesses. EC is calculated for the legal group whereas the ICAAP, which is governed by the CRD, covers only the financial group.

Economic Capital (EC including Nordea Life and Pensions) was at the end of 2012 EUR 17.9bn (EUR 17.7bn).

Regulatory buffers are introduced with the implementa-

tion of CRD IV. This might lead to higher capitalisation requirements than what is determined in the internal capital requirement. Should the regulatory capital requirement exceed the internal capital requirement, additional capital will be held to meet those regulatory requirements with a margin.

#### 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.

The EL ratio used in the EP framework, calculated as EL divided by exposure at default (EAD), was 19 basis points as of year-end 2012 (21 basis points as of 2011) excluding the sovereign and institution exposure classes.

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

#### Capital base

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

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion of subordinated capital loans (undated loans) instruments (maximum 50% of tier 1). Profit may only be included after deducting the proposed dividend. Goodwill and deferred tax assets are deducted from tier 1.

Tier 2 comprises undated loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, i.e. investment in insurance and other financial companies.

#### Summary of items included in capital base

EURm	31 Dec 2012	31 Dec 2011
<b>Calculation of total capital base</b>		
Equity	28,216	26,120
Proposed/actual dividend	-1,370	-1,048
Subordinated capital loans	1,992	1,964
Deferred tax assets	-201	-169
Intangible assets	-3,094	-2,986
IRB provisions excess (+)/shortfall (-)	-554	-243
Deduction for investments in credit institutions (50%)	-103	-117
Other items, net	-933	-880
<b>Tier 1 capital (net after deduction)</b>	<b>23,953</b>	<b>22,641</b>
– of which subordinated capital	1,992	1,964
<b>Tier 2 capital</b>	<b>5,440</b>	<b>3,924</b>
– of which undated subordinated loans	708	723
IRB provisions excess (+)/shortfall (-)	-554	-243
Deduction for investments in credit institutions (50%)	-103	-117
Other deduction	-1,462	-1,367
<b>Total capital base</b>	<b>27,274</b>	<b>24,838</b>

#### Capital adequacy ratios

	2012	2011
Core tier 1 ratio excluding transition rules (%)	13.1	11.2
Tier 1 ratio excluding transition rules (%)	14.3	12.2
Capital ratio excluding transition rules (%)	16.2	13.4
Capital adequacy quotient (Capital base / capital requirement excluding transition rules)	2.03	1.68
Core tier 1 ratio including transition rules (%)	10.2	9.2
Tier 1 ratio including transition rules (%)	11.2	10.1
Capital ratio including transition rules (%)	12.7	11.1
Capital adequacy quotient (Capital base / capital requirement including transition rules)	1.59	1.39

#### Capital situation of the financial conglomerate

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

#### Further information –

##### Note G40 Capital adequacy and the Capital and Risk Management Report

Further information on capital management and capital adequacy is presented in Note G40 Capital adequacy and in the Capital and Risk Management Report at [www.nordea.com](http://www.nordea.com).

## New regulations

The European Commission issued a proposal of the Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) for the European financial market in July 2011. The Directive will be implemented through national law in all EU countries while the Regulation will become applicable in all EU countries directly through the European process. In addition to CRD IV/CRR, there are several closely related proposals emerging.

### CRD IV and CRR

The CRD IV/CRR is intended to set a single rule book for all banks in all EU Member States in order to avoid divergent national rules. The European Banking Authority (EBA) will support the process by issuing binding technical standards and are expected to deliver more than 100 standards due to CRD IV/CRR.

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

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

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

Besides the change to the capital base, a capital conservation buffer of 2.5% will be established above regulatory minimum requirements. Further, a countercyclical capital buffer is implemented as an extension of the capital conservation buffer, which will be developed by national jurisdictions when excess credit growth is judged to be associated with a build-up of system-wide risk. In addition, the CRD IV/CRR allows for a Systemic Risk Buffer (SRB) to be added. The SRB should be seen in conjunction with the other buffers and are to be covered by core tier 1. A breach of this combined buffer requirement will restrict banks' capital distribution, such as dividend. The Basel Committee has proposed that global systemically important banks (G-SIBs) should have an additional buffer ranging from 1.0% to 2.5% of RWA. According to the G-SIB framework in November 2012 Nordea would be subject to an additional 1% core tier 1 requirement. The Swedish authorities have stated that they will require the four large Swedish banks to hold 10% core tier 1 from 2013 and 12% from 2015.

Risk-weighted assets will mainly be affected by additional requirements for counterparty credit risk, by introducing capital requirements for Credit Valuation Adjustment-risk and Central Counterparties, and an introduction of an asset correlation factor for exposures towards large financial institutions. In addition the Swedish FSA has issued a proposal to increase the risk weights for residential mortgage by setting a risk weight floor of 15% at portfolio level within pillar 2. Also in Norway the discussion is to increase the risk weight for residential mortgages.

The CRD IV/CRR introduces a non-risk-based measure, the leverage ratio, in order to limit an excessive build-up of leverage on credit institutions' balance sheets, thus helping to contain the cyclicalities of lending.

There is also a proposal to introduce two new quantitative liquidity standards; the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality assets that can be converted into cash to meet its liquidity need for a 30-day time horizon in a scenario of acute liquidity stress. NSFR establishes a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. LCR is expected to be phased in from January 2015 while NSFR might be introduced as a minimum standard by January 2018, but local requirements might give earlier implementation. The Swedish FSA has progressed faster in liquidity regulations and published their LCR requirement in November 2012. The LCR requirement is to be complied with from the beginning of 2013.

### Other new regulation

FSB has published the Consultative Document of "Effective resolution of Systemically Important Financial Institutions" and "Key Attributes of Effective Resolution Regimes for Financial Institutions". Also the EU Commission published the Consultative documents "Crisis Management Directive", which is planned to be adopted by 2014. The objective of the new regulations is to reduce the risk of a bank failure through better planning for financial disasters.

The BCBS has published a consultative document on a fundamental review of the trading book. The aim is to strengthen the resilience to market risks due to observed weaknesses during the crisis. The proposal is still at an early stage, and an analysis of its impact requires a range of assumptions. The review sets out a potential definition of the scope of the trading book and proposes either a trading evidence-based approach or a valuation-based approach. In addition, the proposal is to strengthen the relationship between the standardised and internal models-based approaches.

In 2012, the Commission presented a proposal to move to a full banking union in the eurozone. The proposal for a single supervisory mechanism for banks in the eurozone should be seen as an important step in strengthening the Economic and Monetary Union (EMU). A banking union can be defined as a fully integrated bank regulatory and supervisory system within a federal structure.

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

New regulation is also approaching the insurance business. The Solvency II Directive published in 2009 is expected to remain largely unchanged apart from the date of implementation and some other clarifications. The implementation date is now expected to be 2015/2016.

The General Meeting is the Company's highest decision making body, where the shareholders exercise their voting rights. At the General Meeting decisions are taken regarding among other things the annual accounts, dividend, election of the Board of Directors and auditors, remuneration to the Board members and auditors, and guidelines for remuneration to the executive officers.

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General Meetings are held in Stockholm. For the minutes of the Annual General Meeting (AGM) 2012, see [www.nordea.com](http://www.nordea.com).

The AGM 2013 will be held on Thursday 14 March 2013.

### **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 44 and in the "Financial Review 2012" on page 48.

### **Articles of Association**

The Articles of Association can be found at [www.nordea.com](http://www.nordea.com). Amendments to the Articles of Association are resolved by the General Meetings in accordance with Swedish law and are subject to approval by the Swedish Financial Supervisory Authority.

### **Mandate to repurchase and convey of own shares**

Information on mandate to repurchase and convey of own shares is presented in the Financial Review on page 50.

### **Mandate to issue of convertible instruments**

Information on mandate to issue of convertible instruments is presented in the Financial Review on page 50.

### **Nomination process (2)**

The AGM 2012 decided to set up a Nomination Committee whose task in reference to the AGM 2013 is to propose Board members, Chairman of the Board and auditor as well as remuneration to the Board members and auditor.

The Nomination Committee comprises Björn Wahlroos (Chairman of the Board) and the four largest shareholders in terms of voting rights as of 31 August 2012, who wished to participate in the Committee. The appointment of the members of the Nomination Committee was made public on 27 September 2012. This was about two weeks later than the stipulated announcement date which according to the Code should be no later than six months before the AGM. The reason for the deviation was practical difficulties in finding a suitable date for the Committee's statutory meeting. At the date of constitution, the Nomination Committee represented approximately 41% of the shareholders votes. Sampo plc appointed Torbjörn Magnusson, the Swedish government appointed Michael Thorén, Nordea-fonden appointed Mogens Hugo and AMF appointed Peder Hasslev. Torbjörn Magnusson was appointed chairman of the Committee.

The proposals of the Nomination Committee is presented in the notice of the AGM 2013 and at [www.nordea.com](http://www.nordea.com).

### **Nordea Board of Directors (3)**

#### *Composition of the Board of Directors*

According to the Articles of Association the Board of Directors shall consist 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 member nor a time limit for how long a Board member may serve on the Board. There are no such requirements in the external framework.

Further, according to the Articles of Association the aim shall be that the Board, as a whole, for its operations possesses the requisite knowledge and experience of the social, business and cultural conditions prevailing in the regions and market areas in which the Group's principal operations are conducted.

The Board currently consists of nine members elected by the General Meeting. In addition three members and one deputy member are appointed by the employees. Employees are entitled under Swedish legislation to be represented in the Board. The CEO of Nordea is not a member of the Board. The composition of the Board of Directors appears from the table on page 72 and further information regarding the Board members elected at the AGM 2012 is presented in the section "Board of Directors" on page 208.

#### *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 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 board 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 as well as 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 in the Company. All Board members and deputy Board members appointed by the employees are employed by the Group and therefore not independent of the Company.

The independence of the individual Board members is also shown in the table on page 72.

#### *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 also is established. The statutory meeting following the AGM 2012 elected the vice Chairman and appointed the Board Committee members. The Board has adopted written work procedures governing its work and its work carried out in the Board committees (the Charter). For example, the Charter sets forth the Board's and the Chairman's areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains, rules regarding conflicts of interest and confidentiality. Furthermore, the Board of Directors has adopted Instructions for the CEO specifying the CEO's responsibilities as well as other charters, policies and instructions for the operations of the Group. These together with the Articles of Association, the Charter and Nordea's values constitute the internal framework, which regulate corporate governance in Nordea. Further information regarding Nordea's values is presented in the section "Strategic direction – shaping the

future relationship bank", page 9.

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. Further, 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) issues yearly to the Board an overall Assurance Statement on Nordea's governance, risk management and control processes. The assurance statement for 2012 concludes that the internal control system is adequate and effective. Further information regarding internal control within Nordea is given below under the heading "Internal control process".

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

During 2012, the Board held 12 meetings. Nine meetings were held in Stockholm, one in Stavanger and two meetings were held per capsulam. For more information see table on page 72. 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 2012, the Board also dealt with for example reports on and issues related to financial market and macro-economic development, new regulatory initiatives, capital and liquidity, Internal Capital Adequacy Assessment Process (ICAAP), the work of the Board Committees, remuneration issues and transactions of significance.

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 shall ensure that the Board work is conducted efficiently and that the Board fulfils its duties. The Chairman shall among other things 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 carries out 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 a methodology which includes questionnaires evaluating the Board as a whole, the Chairman and individual Board members.

#### *Board Committees*

In accordance with the external framework and in order to increase the effectiveness of the board work, the Board of Directors has established separate working committees to assist the Board by preparing matters, belonging to the competence of the Board and to decide in matters dele-

gated 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 among other things monitoring the Nordea Group's financial reporting process, and in relation to this the effectiveness of the internal control and risk management systems, established by the Board of Directors, the CEO and Group Executive Management (GEM), as well as the effectiveness of Group Internal Audit. The BAC is further accountable for keeping itself informed as to the statutory audit of the annual and consolidated accounts and reviewing and monitoring the impartiality and independence of the external auditors and in particular the provision of additional services to the Nordea Group. In addition, the BAC is accountable for the guidance and evaluation of the GIA.

Members of the BAC are Svein Jacobsen (chairman), Stine Bosse and Sarah Russell. Generally, the Group Chief Audit Executive (CAE) and the Chief Financial Officer (CFO) are present at meetings with the right to participate in discussions, but not in decisions.

According to the Swedish Companies Act and the Code, the majority of the members of BAC are to be independent of the Company and the executive management of the Company. At least one of the committee members who are independent of the Company and its executive management is also to be independent of the Company's major shareholders. Nordea follows the law requirement as well as complies with the Code. For more information see table on page 72.

#### *The Board Risk Committee (5)*

The Board Risk Committee (BRIC) assists the Board of Directors in fulfilling its oversight responsibilities concerning 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. Further the BRIC reviews resolutions made by lending entities concerning credit or limit above certain amounts as well as strategic credit policy matters and the development of the credit portfolio.

Members of the BRIC are Kari Stadigh (chairman), Lars G Nordström and Tom Knutzen. Generally the Head of Group Risk Management and, when deemed important and to the extent possible, the CEO are present at meetings with the right 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", page 57.

There are no rules on independence of members of the BRIC in the external framework. For more information see table on page 72.

*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 to the executive officers to be decided by the AGM. Furthermore, proposals regarding the remuneration for the CEO, other members of GEM as well as the CAE and, on proposal by 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 as well as exercises an assessment of the Nordea Remuneration Policy and remuneration system with the participation of appropriate Control Functions. The BRC also has the duty to annually monitor, evaluate and report to the Board on the programmes for variable remuneration to GEM, as well as the application of the guidelines for remuneration to 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, as from AGM 2012, and Björn Wahlroos. Generally, the CEO and the Head of Group Human Resources are present at the meetings, with the right 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 within Nordea is presented in the separate section "Remuneration", page 76 and in Note G7, page 117.

**Meetings, attendance and independence**

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

**The CEO and Group Executive Management (7)**

Nordea's President and CEO is charged with the day-to-day management of Nordea Bank and the Nordea Group's affairs in accordance with the external and internal framework. The internal framework regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board with 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", page 55. The CEO works together with executive officers within the Group in GEM. Pres-

	Board of Directors	Board Audit Committee	Board Risk Committee	Board Remuneration Committee	Independence in relation to the Company <sup>1</sup>	Independence in relation to the major shareholders <sup>1</sup>
Number of meetings	12	8	7	10		
(of which per capsulam)	2		1			
Meetings attended:						
<b>Elected by AGM</b>						
Björn Wahlroos <sup>2</sup>	12			10	Yes	No
Marie Ehrling <sup>3</sup>	12			10	Yes	Yes
Stine Bosse	12	7			Yes	Yes
Peter F Braunwalder <sup>4</sup>	9			7	Yes	Yes
Svein Jacobsen	12	8			Yes	Yes
Tom Knutzen	12		7		Yes	Yes
Lars G Nordström	12		7		Yes	Yes
Sarah Russell	12	8			Yes	Yes
Kari Stadigh	12		7		Yes	No
<b>Appointed by employees</b>		—	—	—		
Kari Ahola (deputy 1 Nov 2012–30 Apr 2013)	10				No	Yes
Ole Lund Jensen (deputy 1 May 2012–31 Oct 2012)	12				No	Yes
Lars Oddestad (deputy 1 Nov 2011–30 Apr 2012)	12				No	Yes
Steinar Nickelsen	12				No	Yes

1) For additional information, see Independence on page 70.

2) Chairman from AGM 2011.

3) Vice Chairman from AGM 2011.

4) Board and Committee member from AGM 2012.

ently GEM consists of six members and the CEO. GEM has recorded weekly meetings. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Further information regarding the CEO and GEM is presented in the section "Group Executive Management", page 210.

### Internal control process

The Internal control process is a process, carried out by the Board of Directors, management and other personnel within Nordea, designed to provide reasonable assurance regarding the achievement of objectives in terms of effectiveness and efficiency of operations, reliability of operational and financial reporting, compliance with external and internal regulations, and safeguarding of assets, including sufficient management of risks in operations. The Internal control process is based on the Control Environment, Risk and Control Assessment, Control Activities, Information & Communication and Monitoring.

The framework for the Internal control process aims at creating the necessary preconditions for the whole organisation to contribute to the effectiveness and the high quality of internal control, through eg clear definitions, assignments of roles and responsibilities as well as common tools and procedures.

Roles and responsibilities in respect of internal control and risk management are divided in three lines of defence. In the first line of defence, the business organisation and Group Functions are responsible for operating its business within limits for risk exposures and in accordance with the decided framework for internal control and risk management. As second line of defence, the centralised risk group functions are responsible for providing the framework of

internal control and risk management. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes, which is the third line of defence.

### Internal audit (8)

Group Internal Audit (GIA) is an independent function commissioned by the Board of Directors. The Board Audit Committee is responsible for guidance on and evaluation of GIA within the Nordea Group. The Group Chief Audit Executive (CAE) has the overall responsibility for GIA. The CAE reports functionally to the Board of Directors and the Board Audit Committee and reports administratively 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 as well as promoting continuous improvement.

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

GIA operates free from interference in determining the scope of internal auditing, in performing its audit work, and in communicating its results. GIA is authorised to carry out all investigations and obtain all information required to discharge 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.

### Internal control process



### External audit (9)

According to the Articles of Association one or two auditors shall be elected by the General Meeting for a term of one year. At the AGM 2012, KPMG AB was re-elected auditor for the time period up to the end of the AGM 2013. Carl Lindgren is the auditor-in-charge.

### Report on internal control and risk management regarding financial reporting

The systems for internal control and risk management over financial reporting are designed to give reasonable assurance concerning 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 over financial reporting in Nordea can be described in accordance with the COSO framework (Internal Control - Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission) as follows.

### 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 'Strategic direction – shaping the future relationship bank', page 9.

A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with a strong business momentum and increased requirements on capital and liquidity. The business as well as the organisation is under continuous development. Further information on the relationship strategy is presented on page 9.

The key principle of risk management in Nordea is the three lines of defence, with the first line of defence being the business organisation and Group Functions, the second line of defence the centralised risk group functions which defines a common set of standards and the third line of defence being the internal audit function, see illustration 'Internal control process' (under the heading 'Internal control process').

The second line of defence function for internal control over financial reporting, Accounting Key Controls (AKC), implements a Nordea Group-wide system of key controls. This is done to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed and are covering e.g. the core Group Finance processes.

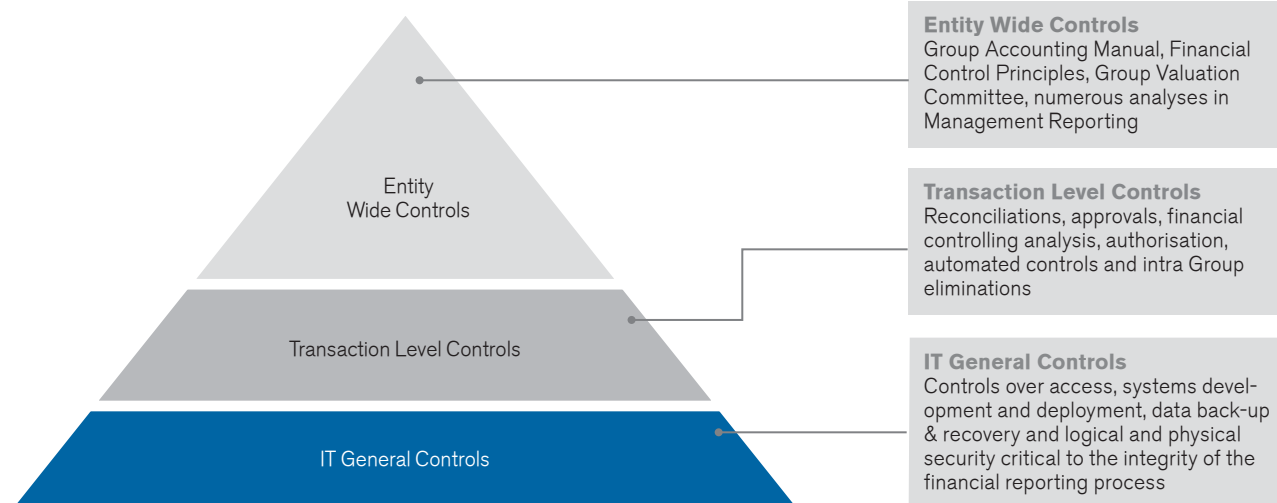
### Risk Assessments

The Board of Directors has the ultimate responsibility for limiting and monitoring Nordea's risk exposure and risk management is considered as an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. To have the risk assessments performed 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 on divisional levels.

### Control Activities

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

### Control activities



erning bodies, as for example 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 in Nordea are segregation of duties and the four-eye principle when approving e.g. transactions and authorisations.

The quality assurance vested in the management reporting process, where 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 where Nordea works continuously to further strengthening the quality.

### Information and Communication

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

Matters affecting the achievement of financial reporting objectives are communicated with outside parties, where Nordea actively participates in relevant national fora, for example fora established by the Financial Supervisory Authorities, Central Banks, and associations for financial institutions.

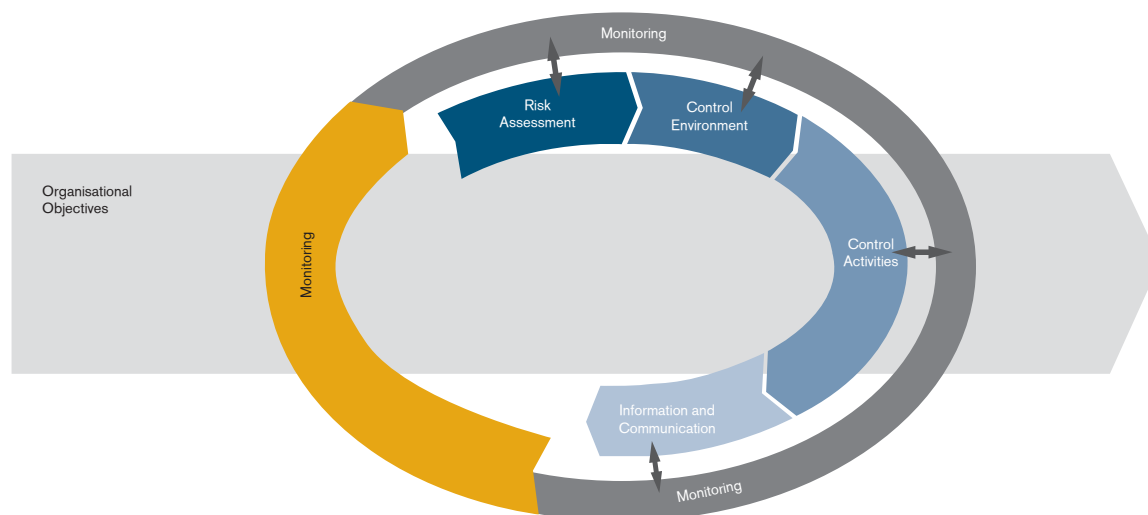
### Monitoring

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

ciencies. This interactive process aims to cover all COSO-components and can be illustrated with the figure below.

The Risk and Control Self Assessment process includes the monitoring of quality of internal control for financial reporting. This is presented in the annual Group 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 (GIA) have important roles with regards to monitoring the internal control over financial reporting in Nordea. For further information please see headings 'The work of Board of Directors (3)', 'Board Audit Committee (4)', 'Board Risk Committee (5)', and 'Group Internal Audit (8)' above.



# Remuneration

Nordea has clear remuneration policies, 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 thereby the People strategy.
- Be a supplement to excellent leadership and challenging tasks as driving forces to create highly committed employees and a Great Nordea.
- Ensure that compensation in Nordea is aligned with efficient risk management and the Nordea values: Great customer experiences, It's all about people and One Nordea team.

Nordea is offering competitive, but not market-leading compensation packages.

Nordea has a total remuneration approach to compensation acknowledging the importance of well balanced but different remuneration packages derived from business and local market needs, as well as the importance of compensation being consistent with and promoting sound and effective risk management not encouraging excessive risk-taking or counteracting Nordea's long term interests.

## Nordea remuneration components – purpose and eligibility

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

**Profit Sharing** is aiming at stimulating value creation for the customers and shareholders and is offered to all employees. The performance criteria for 2012 programme reflect Nordea's long-term targets: Return On Equity (ROE) and Customer Satisfaction.

**Variable Salary Part (VSP)** is offered to selected managers and specialists to reward strong performance. Assessment of individual performance shall be based on a pre-determined set of well-defined financial as well as non-financial success criteria, including Nordea Group criteria.

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

**One Time Payment (OTP)** can be granted to employees in case of extraordinary performance exceeding requirements or expectations. Employees participating in a Bonus scheme cannot be offered an OTP and employees having Variable Salary Part can only in extraordinary situations be offered an OTP.

**Pension and Insurance schemes** are aiming at ensuring employees an appropriate standard of living after retirement as well as personal insurance during employment. Pension and insurance provisions are according to local law, regulation and market practice done either in form of determined public collective-agreements, company determined schemes or in a combination of these elements. Nordea aims at having defined contribution pension schemes.

**Benefits** in Nordea are given as a means to stimulate performance and well being. Benefits are either connected to the contract of employment or local conditions.

**Long-Term Incentive Programme (LTIP)** aims at improving the long-term shareholder value and to strengthen Nordea's capability to retain and recruit the best talents. The programme targets managers and key employees identified as essential to the future development of the Nordea Group. Performance criteria in LTIP 2012 reflected Nordea's internal version of ROE being Risk-Adjusted Return On Capital At Risk (RAROCAR) and Price to Book compared to the Nordic and European peers.

In 2013 Nordea Executive Incentive Programme (EIP) will be introduced, replacing LTIP and VSP for the invited employees. Further information regarding Profit Sharing, VSP, Bonus schemes, LTIPs and the new EIP is provided below in this section.

## Risk analysis

Nordea's remuneration components are annually evaluated to ensure compliance with both international and local remuneration guidelines. In addition to the evaluation of Nordea's remuneration components as such, the risk analysis addressing issues arising in respect of Nordea's Remuneration Policy was updated in March 2012. Key factors addressed include risks related to the governance and structure of the remuneration schemes, goal setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially may be leading to total com-

pensations that might 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 as well as predefined growth and development initiatives. Measurement of results is aligned with Nordea's overall performance measurement, and decision on payout is 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 2012 to employees in the risk analysis defined as Identified Staff will partly be deferred in 2013 to comply with international guidelines and national regulations. Amounts deferred and details about the deferrals will be published one week before the ordinary Annual General Meeting on 14 March 2013.

#### **Audit of the remuneration policy**

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

#### **Remuneration to the Board of Directors**

The AGM annually decides on remuneration to the Board of Directors. Further information is found in Note G7 on page 117.

#### **Remuneration to CEO and Group Executive Management (GEM)**

The Board of Directors prepares the proposal for guidelines for remuneration to the executive officers to be approved by the AGM annually. According to these guidelines, the Board of Directors has decided on the actual remuneration to the CEO and members of GEM following a proposal from the BRC. More information regarding the BRC is found in the separate section "Corporate Governance Report", page 69.

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

Further information about remuneration is found in Note G7 on page 117.

#### **Approved guidelines for remuneration to the executive officers for 2012**

The AGM 2012 approved the following guidelines for remuneration to the executive officers.

"Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver according to Nordea's short and long term targets.

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

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

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

#### **Short-term remuneration**

Annual remuneration consists of a fixed salary part and a variable salary part ("VSP"). Fixed salary is paid for satisfactory performance. VSP is offered to reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The VSP shall as a general rule not exceed 35% of fixed salary. In accordance with international principles guaranteed variable salary part 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.

VSP shall be paid in the form of cash and shares/share-price related payment and be subject to retention, deferral and forfeiture clauses based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant.

#### **Long-term remuneration**

The AGMs since 2007 have decided upon share and performance-based Long Term Incentive Programmes which require an initial investment in Nordea shares by the participants and where compensation shall be dependent on the creation of long term shareholder value and the fulfilment of Nordea's financial targets. A similar programme as last year's programme with performance measured over a three years period, and based on matching and performance shares free of charge is proposed for AGM 2012.

Compared to last year's programme the performance conditions are proposed to be based on risk-adjusted return on capital at risk and the ratio tangible price to book. The programmes have a cap. On a yearly basis the Board of Directors will evaluate whether a similar incentive programme should be proposed to the Annual General Meeting. The executive officers will be invited to join the Long Term Incentive Programmes and due to their influence on the long term development of Nordea, the conditions for participation and outcome differ compared to other participants.

If the Annual General Meeting does not approve a Long Term Incentive Programme, the VSP to executive officers may be increased and shall as a general rule not exceed 50% of fixed salary.

### Benefits

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

Any potential undertaking or commitment made by Nordea against a state or public authority in any guarantee agreement or any similar agreement which affect the remuneration of executive officers will be observed.

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

### Proposal for guidelines for remuneration to the executive officers for 2013

Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver according to Nordea's short and long term targets.

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

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

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

Annual remuneration consists of fixed salary and variable salary.

The executive officers have up to 2012 been offered a short term variable salary part ("VSP") and a Long Term Incentive Programme ("LTIP"). In order to reduce the complexity of having both VSP and LTIP the executive officers will be offered an Executive Incentive Programme (GEM EIP 2013) to reward performance meeting predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered

when determining the targets. The outcome from GEM EIP 2013 shall be paid over a five year period in cash and be subject to forfeiture clauses, Total Shareholder Return indexation and retention based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant. GEM EIP 2013 has a one year performance period and the outcome shall not exceed the fixed salary.

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

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

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

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

*Deviations from approved guidelines 2012:*

There have been no deviations from the approved guidelines 2012.

*Cost for variable remunerations 2013 for executive officers (excluding social cost):*

2012

The maximum cost for VSP 2012 was EUR 2.2m and the maximum total programme cost at grant for LTIP 2012 was EUR 4.4m, so the maximum total cost for variable remuneration offered to executive officers 2012 was EUR 6.6m.

The actual cost for VSP 2012 is EUR 1.9m and the total programme cost for LTIP 2012 assuming grant of 100% of the Matching shares and 50% of the Performance shares is EUR 2.3m, so the estimated total cost for variable remuneration offered to executive officers 2012 is EUR 4.2m.

2013

The estimated maximum cost for GEM EIP 2013 is EUR 6.7m and the estimated cost assuming 60% fulfilment of the performance criteria is EUR 4.0m.

### 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, by which the employees get a part of the profit to encourage good performance and one Nordea team, which in turn will lead to better profitability and make it more attractive to work within the Nordea Group.

In 2012, a total of EUR 70m was provided for under Nordea's Profit Sharing scheme for all employees. For 2012, each employee can receive a maximum of EUR 3,200, of which EUR 2,600 is based on a pre-determined level of Return On Equity and an additional EUR 600 based on the level of customer satisfaction. If all performance criteria were met, the cost of the scheme would have amounted to a maximum of approx. EUR 100m.

### Variable Salary Part (VSP)

VSP may be offered to selected managers and specialists to reward strong performance and to recruit, motivate and retain employees with strong performance within 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 Nordea Group results, 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 very few managers and key specialists within specific areas, where the amount can be a maximum of 50% of annual fixed salary. Responsible GEM member may in extraordinary cases approve a VSP agreement exceeding 50 % 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 employed in specific businesses areas or units approved by the Board of Directors. Nordea pays bonuses linked to performance where both divisional bonus pools and individual allocations are explicitly based on defined performance measures. Divisional financial performance is measured as risk-adjusted profits, explicitly incorporating capital and funding costs, and adjust for multi-period revenue effects as well as minimum required profit. In the event of weak or negative overall Nordea Group result, 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 having bonus schemes remains competitively rewarded.

The Board of Directors decides new or revised bonus schemes and outcome of divisional bonus pools on proposal by BRC. GEM has responsibility 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 to individuals, with the CEO's approval required for bonuses exceeding a predetermined level.

### Long-Term Incentive Programmes

Nordea's Long-Term Incentive Programmes (LTIP) are share-based and the outcome is subject to certain performance conditions. The Board's main objective with the programmes is to strengthen Nordea's capability to retain and recruit the best talent for key leadership positions. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's results,

profitability and value growth, to increased efforts by aligning their interests and perspectives with those of the shareholders.

The participants take direct ownership by allocating Nordea shares to the programmes. For each ordinary Nordea share the participant locks into the LTIP, the participant is allotted one matching share and up to three or four performance shares, conditional upon fulfilment of certain performance conditions during the three year vesting period.

The underlying basic principles of the LTIPs are that the outcome shall be dependent on the creation of long-term shareholder value by fulfilment of Nordea's long-term financial targets.

It is further required that the participant, with certain exemptions, remains employed within the Nordea Group during the initial three year vesting period and that all Nordea shares locked into the LTIP are kept during this period.

Nordea's first LTIP was introduced in May 2007, targeting up to 400 managers and key employees identified as essential to the future development of the Group. LTIP 2007 has been followed by annual programmes based on the same principles. LTIP 2010, LTIP 2011 and LTIP 2012 have a three-year vesting period instead of two years as the previous programmes and are based on shares free of charge instead of rights to acquire Nordea shares.

More information on Nordea LTIPs is presented in Note G7 and at [www.nordea.com](http://www.nordea.com), as well as in Annual Reports of previous years.

The Board of Directors has decided not to propose an LTIP to the AGM 2013.

### Executive Incentive Programme

Nordea will for 2013 introduce Executive Incentive Programme 2013 ("EIP 2013") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth.

EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary.

EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2013 is paid no earlier than October 2017.

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

# Proposed distribution of earnings

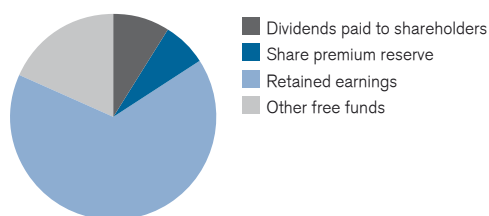
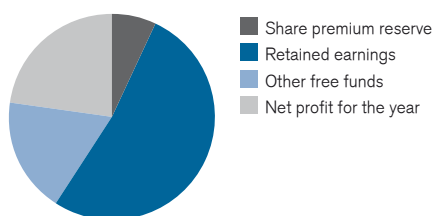
According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

	EUR
Share premium reserve	1,079,925,521
Retained earnings	8,008,451,546
Other free funds	2,762,284,828
Net profit for the year	3,474,195,046
<b>Total</b>	<b>15,324,856,941</b>

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

	EUR
Dividends paid to shareholders, EUR 0.34 per share	1,370,092,365
To be carried forward to	
– share premium reserve	1,079,925,521
– retained earnings	10,112,554,227
– other free funds	2,762,284,828
<b>Total</b>	<b>15,324,856,941</b>

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



# Financial statements Nordea Group

# Financial statements, Group

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# Income statement, Group

EURm	Note	2012	2011
<b>Operating income</b>			
Interest income		12,264	11,955
Interest expense		-6,512	-6,499
<b>Net interest income</b>	G3	<b>5,752</b>	<b>5,456</b>
Fee and commission income		3,306	3,122
Fee and commission expense		-802	-727
<b>Net fee and commission income</b>	G4	<b>2,504</b>	<b>2,395</b>
Net result from items at fair value	G5	1,784	1,517
Profit from associated undertakings accounted for under the equity method	G19	93	42
Other operating income	G6	103	91
<b>Total operating income</b>		<b>10,236</b>	<b>9,501</b>
<b>Operating expenses</b>			
General administrative expenses:			
Staff costs	G7	-3,048	-3,113
Other expenses	G8	-1,860	-1,914
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9, G20, G21	-278	-192
<b>Total operating expenses</b>		<b>-5,186</b>	<b>-5,219</b>
<b>Profit before loan losses</b>		<b>5,050</b>	<b>4,282</b>
Net loan losses	G10	-933	-735
<b>Operating profit</b>		<b>4,117</b>	<b>3,547</b>
Income tax expense	G11	-991	-913
<b>Net profit for the year</b>		<b>3,126</b>	<b>2,634</b>
<b>Attributable to:</b>			
Shareholders of Nordea Bank AB (publ)		3,119	2,627
Non-controlling interests		7	7
<b>Total</b>		<b>3,126</b>	<b>2,634</b>
Basic earnings per share, EUR	G12	0.78	0.65
Diluted earnings per share, EUR	G12	0.78	0.65

# Statement of comprehensive income, Group

EURm	2012	2011
<b>Net profit for the year</b>	<b>3,126</b>	<b>2,634</b>
<b>Items that may be reclassified subsequently to the income statement</b>		
Currency translation differences during the year	420	-28
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	-254	0
Tax on valuation gains/losses during the year	45	0
Available-for-sale investments: <sup>1</sup>		
Valuation gains/losses during the year	67	5
Tax on valuation gains/losses during the year	-17	-1
Cash flow hedges:		
Valuation gains/losses during the year	133	166
Tax on valuation gains/losses during the year	-35	-43
Transferred to profit or loss for the year	-321	—
Tax on transfers to profit or loss for the year	85	—
<b>Other comprehensive income, net of tax</b>	<b>123</b>	<b>99</b>
<b>Total comprehensive income</b>	<b>3,249</b>	<b>2,733</b>
<b>Attributable to:</b>		
Shareholders of Nordea Bank AB (publ)	3,242	2,726
Non-controlling interests	7	7
<b>Total</b>	<b>3,249</b>	<b>2,733</b>

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

# Balance sheet, Group

EURm	Note	31 Dec 2012	31 Dec 2011
<b>Assets</b>			
Cash and balances with central banks		36,060	3,765
Loans to central banks	G13	8,005	40,615
Loans to credit institutions	G13	10,569	11,250
Loans to the public	G13	346,251	337,203
Interest-bearing securities	G14	94,939	92,373
Financial instruments pledged as collateral	G15	7,970	8,373
Shares	G16	28,128	20,167
Derivatives	G17	118,789	171,943
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	-711	-215
Investments in associated undertakings	G19	585	591
Intangible assets	G20	3,425	3,321
Property and equipment	G21, G22	474	469
Investment property	G23	3,408	3,644
Deferred tax assets	G11	218	169
Current tax assets	G11	78	185
Retirement benefit assets	G33	301	223
Other assets	G24	16,372	19,425
Prepaid expenses and accrued income	G25	2,559	2,703
<b>Total assets</b>		<b>677,420</b>	<b>716,204</b>
<b>Liabilities</b>			
Deposits by credit institutions	G26	55,426	55,316
Deposits and borrowings from the public	G27	200,678	190,092
Liabilities to policyholders	G28	45,320	40,715
Debt securities in issue	G29	184,340	179,950
Derivatives	G17	114,203	167,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	1,940	1,274
Current tax liabilities	G11	391	154
Other liabilities	G30	33,472	43,368
Accrued expenses and prepaid income	G31	3,903	3,496
Deferred tax liabilities	G11	997	1,018
Provisions	G32	389	483
Retirement benefit obligations	G33	348	325
Subordinated liabilities	G34	7,797	6,503
<b>Total liabilities</b>		<b>649,204</b>	<b>690,084</b>
<b>Equity</b>			
Non-controlling interests		5	86
Share capital		4,050	4,047
Share premium reserve		1,080	1,080
Other reserves		76	-47
Retained earnings		23,005	20,954
<b>Total equity</b>		<b>28,216</b>	<b>26,120</b>
<b>Total liabilities and equity</b>		<b>677,420</b>	<b>716,204</b>
Assets pledged as security for own liabilities	G35	164,902	146,894
Other assets pledged	G36	4,367	6,090
Contingent liabilities	G37	21,157	24,468
Credit commitments	G38	84,914	85,319
Other commitments	G38	1,294	1,651

# Statement of changes in equity, Group

	Attributable to shareholders of Nordea Bank AB (publ) <sup>2</sup>								
			Other reserves:						
EURm	Share capital <sup>1</sup>	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available-for-sale investments	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2012	4,047	1,080	-176	123	6	20,954	26,034	86	26,120
Net profit for the year	—	—	—	—	—	3,119	3,119	7	3,126
Currency translation differences during the year	—	—	420	—	—	—	420	—	420
Hedging of net investments in foreign operations:									
Valuation gains/losses during the year	—	—	-254	—	—	—	-254	—	-254
Tax on valuation gains/losses during the year	—	—	45	—	—	—	45	—	45
Available-for-sale investments:									
Valuation gains/losses during the year	—	—	—	—	67	—	67	—	67
Tax on valuation gains/losses during the year	—	—	—	—	-17	—	-17	—	-17
Cash flow hedges:									
Valuation gains/losses during the year	—	—	—	133	—	—	133	—	133
Tax on valuation gains/losses during the year	—	—	—	-35	—	—	-35	—	-35
Transferred to profit or loss for the year	—	—	—	-321	—	—	-321	—	-321
Tax on transfer to profit or loss for the year	—	—	—	85	—	—	85	—	85
Other comprehensive income, net of tax	—	—	211	-138	50	—	123	—	123
Total comprehensive income	—	—	211	-138	50	3,119	3,242	7	3,249
Issued C-shares <sup>3</sup>	3	—	—	—	—	—	3	—	3
Repurchase of C-shares <sup>3</sup>	—	—	—	—	—	-3	-3	—	-3
Share-based payments	—	—	—	—	—	14	14	—	14
Dividend for 2011	—	—	—	—	—	-1,048	-1,048	—	-1,048
Purchases of own shares <sup>4</sup>	—	—	—	—	—	-31	-31	—	-31
Change in non-controlling interests	—	—	—	—	—	—	—	-84	-84
Other changes	—	—	—	—	—	—	—	-4	-4
Balance at 31 Dec 2012	4,050	1,080	35	-15	56	23,005	28,211	5	28,216

1) Total shares registered were 4,050 million.

2) Restricted capital was EUR 4,050m, unrestricted capital was EUR 24,161m.

3) Refers to the Long Term Incentive Programme (LTIP). LTIP 2012 was hedged by issuing 2,679,168 C-shares. The shares have been bought back and converted to ordinary shares. The total holding of own shares related to LTIP is 20.3 million.

4) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 26.9 million.

	Attributable to shareholders of Nordea Bank AB (publ) <sup>2</sup>								
			Other reserves:						
EURm	Share capital <sup>1</sup>	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available-for-sale investments	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2011	4,043	1,065	-148	—	2	19,492	24,454	84	24,538
Net profit for the year	—	—	—	—	—	2,627	2,627	7	2,634
Currency translation differences during the year	—	—	-28	—	—	—	-28	—	-28
Hedging of net investments in foreign operations:									
Valuation gains/losses during the year	—	—	0	—	—	—	0	—	0
Tax on valuation gains/losses during the year	—	—	0	—	—	—	0	—	0
Available-for-sale investments:									
Valuation gains/losses during the year	—	—	—	—	5	—	5	—	5
Tax on valuation gains/losses during the year	—	—	—	—	-1	—	-1	—	-1
Cash flow hedges:									
Valuation gains/losses during the year	—	—	—	166	—	—	166	—	166
Tax on valuation gains/losses during the year	—	—	—	-43	—	—	-43	—	-43
Other comprehensive income, net of tax	—	—	-28	123	4	—	99	—	99
Total comprehensive income	—	—	-28	123	4	2,627	2,726	7	2,733
Issued C-shares <sup>3</sup>	4	—	—	—	—	—	4	—	4
Repurchase of C-shares <sup>3</sup>	—	—	—	—	—	-4	-4	—	-4
Share-based payments	—	—	—	—	—	11	11	—	11
Dividend for 2010	—	—	—	—	—	-1,168	-1,168	—	-1,168
Purchases of own shares <sup>4</sup>	—	—	—	—	—	-4	-4	—	-4
Other changes	—	15 <sup>5</sup>	—	—	—	—	15	-5	10
Balance at 31 Dec 2011	4,047	1,080	-176	123	6	20,954	26,034	86	26,120

1) Total shares registered were 4,047 million.

2) Restricted capital was EUR 4,047m, unrestricted capital was EUR 21,987m.

3) Refers to the Long Term Incentive Programme (LTIP). LTIP 2011 was hedged by issuing 4,730,000 C-shares. The shares have been bought back and converted to ordinary shares. The total holding of own shares related to LTIP is 18.2 million.

4) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 20.7 million.

5) In connection to the rights issue in 2009 an assessment was made on the VAT Nordea would have to pay on the transaction costs. This assessment has been changed in 2011 based on a new tax case law.

### Dividends per share

See Statement of changes in equity for the parent company, page 175.

# Cash flow statement, Group

EURm	2012	2011
<b>Operating activities</b>		
Operating profit	4,117	3,547
Adjustment for items not included in cash flow	3,178	537
Income taxes paid	-662	-981
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>6,633</b>	<b>3,103</b>
<b>Changes in operating assets</b>		
Change in loans to central banks and credit institutions	21,166	-20,784
Change in loans to the public	-2,988	-23,749
Change in interest-bearing securities	-2,968	-16,500
Change in financial assets pledged as collateral	437	1,100
Change in shares	-8,094	-2,776
Change in derivatives, net	3,017	-2,151
Change in investment properties	236	-77
Change in other assets	2,982	3,438
<b>Changes in operating liabilities</b>		
Change in deposits by credit institutions	-19	14,307
Change in deposits and borrowings from the public	7,000	13,341
Change in liabilities to policyholders	1,089	1,587
Change in debt securities in issue	1,665	27,205
Change in other liabilities	-10,402	5,686
<b>Cash flow from operating activities</b>	<b>19,754</b>	<b>3,730</b>
<b>Investing activities</b>		
Acquisition of business operations	0	0
Sale of business operations	0	0
Acquisition of associated undertakings	-6	-16
Sale of associated undertakings	3	4
Acquisition of property and equipment	-141	-157
Sale of property and equipment	27	35
Acquisition of intangible assets	-177	-192
Sale of intangible assets	2	0
Net investments in debt securities, held to maturity	1,047	7,876
Purchase/sale of other financial fixed assets	19	15
<b>Cash flow from investing activities</b>	<b>774</b>	<b>7,565</b>
<b>Financing activities</b>		
Issued subordinated liabilities	1,530	891
Amortised subordinated liabilities	-624	-2,232
New share issue	3	4
Repurchase of own shares incl change in trading portfolio	-31	-4
Dividend paid	-1,048	-1,168
<b>Cash flow from financing activities</b>	<b>-170</b>	<b>-2,509</b>
<b>Cash flow for the year</b>	<b>20,358</b>	<b>8,786</b>
Cash and cash equivalents at the beginning of year	22,606	13,706
Translation difference	-156	114
Cash and cash equivalents at the end of year	42,808	22,606
<b>Change</b>	<b>20,358</b>	<b>8,786</b>

**Comments on the cash flow statement**

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

**Operating activities**

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

EURm	2012	2011
Depreciation	240	190
Impairment charges	38	2
Loan losses	1,011	811
Unrealised gains/losses	-2,749	-2,419
Capital gains/losses (net)	-10	-4
Change in accruals and provisions	354	-225
Translation differences	-366	62
Change in bonus potential to policyholders, Life	582	-575
Change in technical reserves, Life	2,935	937
Change in fair value of hedged items, assets/liabilities (net)	1,267	1,842
Other	-124	-84
<b>Total</b>	<b>3,178</b>	<b>537</b>

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

EURm	2012	2011
Interest payments received	12,553	11,896
Interest expenses paid	6,437	6,376

**Investing activities**

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

**Financing activities**

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

**Cash and cash equivalents**

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2012	31 Dec 2011
Cash and balances with central banks	36,060	3,765
Loans to central banks, payable on demand	5,938	17,328
Loans to credit institutions, payable on demand	810	1,513
<b>Total</b>	<b>42,808</b>	<b>22,606</b>

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

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

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

# Quarterly development, Group

EURm	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	2012	2011
Net interest income	1,429	1,441	1,462	1,420	1,427	1,379	1,326	1,324	5,752	5,456
Net fee and commission income	692	605	611	596	588	582	623	602	2,504	2,395
Net result from items at fair value	444	377	494	469	506	111	356	544	1,784	1,517
Profit from associated undertakings accounted for under the equity method	33	23	14	23	15	-4	13	18	93	42
Other income	32	23	25	23	22	23	24	22	103	91
<b>Total operating income</b>	<b>2,630</b>	<b>2,469</b>	<b>2,606</b>	<b>2,531</b>	<b>2,558</b>	<b>2,091</b>	<b>2,342</b>	<b>2,510</b>	<b>10,236</b>	<b>9,501</b>
General administrative expenses:										
Staff costs	-764	-752	-761	-771	-714	-887	-744	-768	-3,048	-3,113
Other expenses	-473	-467	-465	-455	-502	-474	-485	-453	-1,860	-1,914
Depreciation, amortisation and impairment charges of tangible and intangible assets	-90	-74	-64	-50	-50	-52	-46	-44	-278	-192
<b>Total operating expenses</b>	<b>-1,327</b>	<b>-1,293</b>	<b>-1,290</b>	<b>-1,276</b>	<b>-1,266</b>	<b>-1,413</b>	<b>-1,275</b>	<b>-1,265</b>	<b>-5,186</b>	<b>-5,219</b>
<b>Profit before loan losses</b>	<b>1,303</b>	<b>1,176</b>	<b>1,316</b>	<b>1,255</b>	<b>1,292</b>	<b>678</b>	<b>1,067</b>	<b>1,245</b>	<b>5,050</b>	<b>4,282</b>
Net loan losses	-244	-254	-217	-218	-263	-112	-118	-242	-933	-735
<b>Operating profit</b>	<b>1,059</b>	<b>922</b>	<b>1,099</b>	<b>1,037</b>	<b>1,029</b>	<b>566</b>	<b>949</b>	<b>1,003</b>	<b>4,117</b>	<b>3,547</b>
Income tax expense	-217	-234	-278	-262	-243	-160	-249	-261	-991	-913
<b>Net profit for the period</b>	<b>842</b>	<b>688</b>	<b>821</b>	<b>775</b>	<b>786</b>	<b>406</b>	<b>700</b>	<b>742</b>	<b>3,126</b>	<b>2,634</b>
Diluted earnings per share (DEPS), EUR	0.21	0.17	0.21	0.19	0.19	0.10	0.18	0.18	0.78	0.65
DEPS, rolling 12 months up to period end, EUR	0.78	0.76	0.69	0.66	0.65	0.65	0.73	0.68	0.78	0.65

# 5 year overview, Group

## Income statement

EURm	2012	2011	2010	2009	2008
Net interest income	5,752	5,456	5,159	5,281	5,093
Net fee and commission income	2,504	2,395	2,156	1,693	1,883
Net result from items at fair value	1,784	1,517	1,837	1,946	1,028
Profit from associated undertakings accounted for under the equity method	93	42	66	48	24
Other income	103	91	116	105	172
<b>Total operating income</b>	<b>10,236</b>	<b>9,501</b>	<b>9,334</b>	<b>9,073</b>	<b>8,200</b>
General administrative expenses:					
Staff costs	-3,048	-3,113	-2,784	-2,724	-2,568
Other expenses	-1,860	-1,914	-1,862	-1,639	-1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	-278	-192	-170	-149	-124
<b>Total operating expenses</b>	<b>-5,186</b>	<b>-5,219</b>	<b>-4,816</b>	<b>-4,512</b>	<b>-4,338</b>
<b>Profit before loan losses</b>	<b>5,050</b>	<b>4,282</b>	<b>4,518</b>	<b>4,561</b>	<b>3,862</b>
Net loan losses	-933	-735	-879	-1,486	-466
<b>Operating profit</b>	<b>4,117</b>	<b>3,547</b>	<b>3,639</b>	<b>3,075</b>	<b>3,396</b>
Income tax expense	-991	-913	-976	-757	-724
<b>Net profit for the year</b>	<b>3,126</b>	<b>2,634</b>	<b>2,663</b>	<b>2,318</b>	<b>2,672</b>

## Balance sheet

EURm	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Cash and balances with central banks	36,060	3,765	10,023	11,500	3,157
Interest-bearing securities	94,939	92,373	82,249	69,099	51,375
Loans to central banks and credit institutions	18,574	51,865	15,788	18,555	23,903
Loans to the public	346,251	337,203	314,211	282,411	265,100
Derivatives	118,789	171,943	96,825	75,422	86,838
Other assets	62,807	59,055	61,743	50,557	43,701
<b>Total assets</b>	<b>677,420</b>	<b>716,204</b>	<b>580,839</b>	<b>507,544</b>	<b>474,074</b>
Deposits by credit institutions	55,426	55,316	40,736	52,190	51,932
Deposits and borrowings from the public	200,678	190,092	176,390	153,577	148,591
Liabilities to policyholders	45,320	40,715	38,766	33,831	29,238
Debt securities in issue	184,340	179,950	151,578	130,519	108,989
Derivatives	114,203	167,390	95,887	73,043	85,538
Subordinated liabilities	7,797	6,503	7,761	7,185	8,209
Other liabilities	41,440	50,118	45,183	34,779	23,774
Equity	28,216	26,120	24,538	22,420	17,803
<b>Total liabilities and equity</b>	<b>677,420</b>	<b>716,204</b>	<b>580,839</b>	<b>507,544</b>	<b>474,074</b>

# Ratios and key figures, Group

	2012	2011	2010	2009	2008
Basic earnings per share, EUR	0.78	0.65	0.66	0.60	0.79
Diluted earnings per share, EUR	0.78	0.65	0.66	0.60	0.79
Share price <sup>1</sup> , EUR	7.24	5.98	8.16	7.10	3.90
Total shareholders' return, %	21.0	-24.4	3.7	78.6	-46.9
Proposed/actual dividend per share, EUR	0.34	0.26	0.29	0.25	0.20
Equity per share <sup>1</sup> , EUR	7.01	6.47	6.07	5.56	5.29
Potential shares outstanding <sup>1,2</sup> , million	4,050	4,047	4,043	4,037	2,600
Weighted average number of diluted shares <sup>3</sup> , million	4,022	4,028	4,022	3,846	3,355
Return on equity, %	11.6	10.6	11.5	11.3	15.3
Assets under management <sup>1</sup> , EURbn	218.3	187.4	191.0	158.1	125.6
Cost/income ratio, %	51	55	52	50	53
Loan loss ratio, basis points	28	23	31	56	19
Core tier 1 capital ratio, excluding transition rules <sup>1</sup> , %	13.1	11.2	10.3	10.3	8.5
Tier 1 capital ratio, excluding transition rules <sup>1</sup> , %	14.3	12.2	11.4	11.4	9.3
Total capital ratio, excluding transition rules <sup>1</sup> , %	16.2	13.4	13.4	13.4	12.1
Core tier 1 capital ratio <sup>1</sup> , %	10.2	9.2	8.9	9.3	6.7
Tier 1 capital ratio <sup>1</sup> , %	11.2	10.1	9.8	10.2	7.4
Total capital ratio <sup>1</sup> , %	12.7	11.1	11.5	11.9	9.5
Core tier 1 capital <sup>1</sup> , EURm	21,961	20,677	19,103	17,766	14,313
Tier 1 capital <sup>1</sup> , EURm	23,953	22,641	21,049	19,577	15,760
Risk-weighted assets, incl transition rules <sup>1</sup> , EURbn	215	224	215	192	213
Number of employees (full-time equivalents) <sup>1</sup>	31,466	33,068	33,809	33,347	34,008
Risk-adjusted profit, EURm	3,245	2,714	2,622	2,786	2,279
Economic profit, EURm	1,403	1,145	936	1,334	1,015
Economic capital <sup>1</sup> , EURbn	17.9	17.7	17.5	16.7	15.8
EPS, risk-adjusted, EUR	0.81	0.67	0.65	0.72	0.68
RAROCAR, %	17.6	15.5	15.0	17.3	15.6
MCEV, EURm	3,762	2,714	3,655	3,244	2,624

1) End of the year.

2) Increase between 2008 and 2009 due to Nordea's rights issue.

3) 2007–2009 restated due to the rights issue.

# Business definitions

These definitions apply to the descriptions in the Annual Report.

## **Allowances in relation to impaired loans**

Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

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

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

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

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

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

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

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

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in

risk drivers and the improbability that unexpected losses occur simultaneously.

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

**Equity per share** Equity as shown on the balance sheet after full dilution and non-controlling interests excluded divided by the number of shares after full dilution.

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

**Impairment rate, gross** Individually assessed impaired loans before allowances divided by total loans before allowances.

**Impairment rate, net** Individually assessed impaired loans after allowances divided by total loans before allowances.

**Loan loss ratio** Net loan losses (annualised) divided by opening balance of loans to the public (lending).

**MCEV (Market Consistent Embedded Value)** Estimate of the value a shareholder would put on a portfolio of in-force life and pension business based on objective market return. No franchise value or other additional value is included in MCEV.

**Non-performing, not impaired** Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

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

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

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

**Risk-adjusted profit** Total income minus total operating expenses, minus Expected losses and standard tax (25 % 2012). In addition, Risk-adjusted profit excludes major non-recurring items.

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

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

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

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

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

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

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

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

## G1

## Accounting policies

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**1. Basis for presentation**

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

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

On 6 February 2013 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 14 March 2013.

**2. Changed accounting policies and presentation**

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2011 Annual Report, mainly apart from the categorisation of commissions within Note G4 "Net fee and commission income" and the definition of impaired loans in Note G13 "Loans and impairment". These changes are further described below.

In addition, to provide more relevant information of the nature and the characteristics of the assets on the balance sheet, loans to central banks have been separated from loans to credit institutions and are reported on a new line on the balance sheet.

The comparative figures have been restated accordingly.

Further, the balance sheet lines "Treasury bills" and "Interest-bearing securities" have been merged and are now reported as "Interest-bearing securities". The comparative figures have been restated accordingly.

Below follows also a section covering other changes in IFRSs implemented in 2012, which have not had any significant impact on Nordea.

**Definition of impaired loans**

The definition of impaired loans has been changed and the disclosure includes all loans that have, as a consequence of identified loss event, been written down either individually, for individually significant loans, or as part of a portfolio, for individually insignificant loans.

This definition of impaired loans provides more granular information of the loans actually impaired.

The income statement and balance sheet are unaffected by this change. The comparative figures have been restated accordingly and are disclosed in the below table.

EURm	31 Dec 2011	
	New policy	Old policy
Impaired loans	5,125	5,438
– Performing	2,946	3,287
– Non-performing	2,179	2,151

**Categorisation of commissions**

The categorisation of commission within "Net fee and commission income" has been improved by merging similar types of commissions. Commissions received for securities issues, corporate financial activities and issuer services were reclassified from "Payments" and "Other commission income" to the renamed lines "Brokerage, securities issues and corporate finance" and "Custody and issue services". This categorisation better describes the types of commission recognised in the income statement. The comparable figures have been restated accordingly and are disclosed in the below table.

EURm	Jan–Dec 2011	
	New policy	Old policy
Brokerage, securities issues and corporate finance	266	200
Custody and issuer services	115	90
Payments	399	421
Other commissions income	141	210

**Changes in IFRSs implemented 2012**

IASB has amended IAS 1 "Presentation of Financial Statements" (Presentation of Items of Other Comprehensive Income), IFRS 7 "Financial instruments: Disclosures" (Transfers of Financial Assets) and IAS 12 "Income taxes" (Recovery of Underlying Assets) and the amendments have been implemented in Nordea as from 1 January 2012.

The amendments to IAS 1 have changed Nordea's presentation of other comprehensive income so that items that can later be reclassified to profit or loss are separated from the items that will not. The amendments to IFRS 7 have not added any new disclosures as Nordea has not transferred assets where there is a continuing involvement. The amended IAS 12 has not had any significant impact on the financial statements or on the capital adequacy in Nordea.

### 3. Changes in IFRSs not yet applied by Nordea

#### IFRS 9 “Financial instruments” (Phase 1)

In 2009 the IASB published a new standard on financial instruments containing requirements for financial assets. Requirements for financial liabilities were added to this standard in 2010. The standard is the first step in the replacement of IAS 39 “Financial instruments: Recognition and Measurement” and this first phase covers the classification and measurement of financial assets and liabilities. The effective date is as from 1 January 2015, but earlier application is permitted. The EU commission has not yet endorsed this standard.

The tentative assessment is that there will be an impact on the financial statements as the new standard will decrease the number of measurements categories and therefore have an impact on the presentation and disclosures covering financial instruments. The new standard is, on the other hand, not expected to have a significant impact on Nordea’s income statement and balance sheet as the mixed measurement model will be maintained. No significant reclassifications between fair value and amortised cost or impact on the capital adequacy are expected, but this is naturally dependent on the financial instruments on Nordea’s balance sheet at transition. It is furthermore expected that changes will be made to the standard before the standard becomes effective.

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

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

The IASB has published three new standards relating to consolidation, IFRS 10, IFRS 11 and IFRS 12, as well as amended IAS 27 and IAS 28. The effective date for these standards and amendments is as from 1 January 2013, but earlier application is permitted. The EU commission has endorsed these standards and amendments during 2012. In contrast to IFRS, the EU commission requires the standards to be applied for financial statements starting on or after 1 January 2014. Nordea will apply these standards as from 1 January 2014.

A potential impact from the new definition of control is that Nordea will have to consolidate additional entities (including so called Structured Entities or Special Purpose Entities, SPEs). Nordea’s current assessment is that no additional entities that significantly affect Nordea’s income statement, balance sheet or equity will have to be consolidated, although some uncertainty still remains around some mutual funds. If the funds have to be consolidated it will not affect the income statement, but it will have an impact on Nordea’s balance sheet and if those entities hold Nordea shares that will have to be eliminated in the Nordea Group there will be an impact on the equity. The new standards furthermore include more extensive disclosure requirements which will have an impact on Nordea’s disclosures covering consolidated and unconsolidated entities. Otherwise the new standards and amendments are not expected to have a significant impact on Nordea’s income statement or balance sheet. It is not expected that the new standards and amendments will have a significant impact on the capital adequacy.

Nordea has not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

#### IFRS 13 “Fair Value Measurement”

The IASB has published IFRS 13 “Fair Value Measurement”. The effective date is as from 1 January 2013, but earlier application is permitted. The EU commission has endorsed this standard during 2012. Nordea will apply this standard as from 1 January 2013.

IFRS 13 clarifies how to measure fair value but does not change the requirements regarding which items should be measured at fair value. In addition IFRS 13 requires additional disclosures about fair value measurements.

The assessment is that the new standard will not have any significant impact on the income statement or balance sheet. There will on the other hand be an impact on the disclosures as the new standard requires more extensive disclosures regarding fair value measurements, especially for fair value measurements in level 3 of the fair value hierarchy.

The assessment is that the new standard will not have a significant impact on the capital adequacy.

#### IAS 19 “Employee Benefits”

IASB has amended IAS 19. The effective date is as from 1 January 2013, but earlier application is permitted. The EU commission has endorsed this amendment during 2012. Nordea will apply this amendment as from 1 January 2013.

The amended standard will have an impact on the financial statements in the period of initial application, as well as in subsequent periods. This is mainly related to defined benefit plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which will lead to higher volatility in equity compared to the current corridor approach. Consequently no actuarial gains/losses will be recognised in the income statement. Under current IAS 19 actuarial gains/losses outside the corridor are amortised through the income statement.

The amended IAS 19 furthermore states that the expected return on plan assets shall be recognised using the same interest rate as the discount rate used when measuring the pension obligation. This will lead to higher pension expenses in the income statement as Nordea currently expects a higher return than the discount rate. Any difference between the actual return and the expected return will be a part of the actuarial gains/losses recognised immediately in equity through other comprehensive income without recycling to the income statement.

The unrecognised actuarial losses at 31 December 2012 amounted to EUR 251m excluding special wage tax and before income tax. This will at transition have a negative impact on equity of EUR 280m after special wage tax and before income tax. If implemented on 31 December 2012, Nordea’s core tier 1 capital would have been reduced by EUR 258m, including impact from changes in deferred tax assets. The impact on the income statement is not expected to be significant. See Note G33 “Retirement benefit obligations” for more information.

The Swedish Financial Reporting Board has furthermore withdrawn UFR 4 “Accounting for special wage tax and yield tax” and published UFR 9 “Accounting for yield tax”. Nordea will apply UFR 9 as from 1 January 2013. UFR 4 is applied in the financial statements for 2012. The treatment of yield tax in UFR 9 is the same as in UFR 4. Regarding special wage tax the withdrawal of UFR 4 and the implementation of IAS 19 are not expected to have any significant impact on Nordea’s financial statements or on the capital adequacy.

#### IAS 32 “Financial Instrument: Presentation”

IAS 32 “Financial Instruments: Presentation” has been

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## Accounting policies

amended. The change relates to offsetting of financial assets and financial liabilities. The amendment is not intended to change the criteria for offsetting, but to give additional guidance on how to apply the existing criteria.

The effective date is as from 1 January 2014 but earlier application is permitted. The EU commission has endorsed these amendments during 2012. Nordea will apply this amendment as from 1 January 2013. The assessment is that the amended standard will not have any significant impact on the financial statements or on the capital adequacy.

#### IFRS 7 “Financial instruments: Disclosures”

IFRS 7 “Financial instruments: Disclosures” has furthermore been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities.

The effective date is as from 1 January 2013, but earlier application is permitted. The EU commission has endorsed these amendments during 2012. Nordea will apply this amendment as from 1 January 2013.

The amended standard will not have any impact on the financial statements, apart from disclosures, or on the capital adequacy.

#### 4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

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

#### Fair value measurement of certain financial instruments

Nordea’s accounting policy for determining the fair value of financial instruments is described in section 11 “Determination of fair value of financial instruments” and Note G42 “Assets and liabilities at fair value”. Critical judgements that have a significant impact on the recognised amounts for financial instruments is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those

judgements relate to the following areas:

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

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

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

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

The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 252,558m (EUR 285,476m) and EUR 185,506m (EUR 235,514m) respectively at the end of the year.

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

#### Impairment testing of goodwill

Nordea’s accounting policy for goodwill is described in section 16 “Intangible assets” and Note G20 “Intangible assets” lists the cash generating units to which goodwill has been allocated. Nordea’s total goodwill amounted to EUR 2,656m (EUR 2,575m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (2–3 years) and to the estimated sector growth rate for the period beyond 2–3 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

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

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

#### Impairment testing of loans to the public/credit institutions

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

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea’s total lending before impairment allowances was EUR 367,673m (EUR 391,539m) at the end of the year. For more information, see Note G13 “Loans and impairment”.

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## Accounting policies

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

#### Effectiveness testing of cash flow hedges

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

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

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

#### Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 22 "Employee benefits".

The Projected Benefit Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters like assumptions about salary increases and inflation are based on the expected long-term development of these parameters and are also subject to estimation uncertainty. The fixing of these parameters at year-end is disclosed in Note G33 "Retirement benefit obligations" together with a description of the discount rate sensitivity.

The expected return on plan assets is estimated taking into account the asset composition and based on long-term expectations on the return on the different asset classes. On bonds this is linked to the discount rate while equities and real estate have an added risk premium, both are subject to estimation uncertainty. The expected return is disclosed in Note G33 "Retirement benefit obligations".

#### Actuarial calculations of insurance contracts

Nordea's accounting policy for insurance contracts is

described in section 19 "Liabilities to policyholders".

A valuation of insurance liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Other important actuarial assumptions are those on mortality and disability, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

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

#### Valuation of investment properties

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

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

The carrying amounts of investment property were EUR 3,408m (EUR 3,644m) at the end of the year. See Note G23 "Investment property" for more information on amounts and parameters used in these models.

#### Classification of leases

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

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreement was initially 3–25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefit from appreciation in value of the leased property. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement. The carrying amount of these properties at the time of disposal was EUR 1.5bn.

More information on lease contracts can be found in Note G22 "Leasing".

#### Translation of assets and liabilities denominated in foreign currencies

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

When reporting consolidated financial statements, the parent company Nordea Bank AB (publ) has been assessed to have two functional currencies, SEK and EUR, based on the different activities. The functional currency of the normal

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banking operations is SEK and the functional currency of the entity holding equity, shares in group undertakings and the funding of those shares is EUR. It is Nordea's assessment that one legal entity can consist of different entities with different functional currencies.

#### Valuation of deferred tax assets

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

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

The carrying amount of deferred tax assets was EUR 218m (EUR 169m) at the end of the year.

#### Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G32 "Provisions" and Note G37 "Contingent liabilities".

### 5. Principles of consolidation

#### Consolidated entities

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

All Group undertakings are consolidated using the acquisition method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The Group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

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

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

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

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

income statement and statement of comprehensive income.

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

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

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

#### Investments in associated undertakings

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

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

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

#### Special Purpose Entities (SPE)

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

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

Nordea has created a number of SPEs to allow clients to invest in assets invested in by the SPEs. Some SPEs invest in tradable financial instruments, such as shares and bonds (mutual funds). Other SPEs invest in structured credit products or acquire assets from customers of Nordea. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions. Typically, Nordea will receive service and commission fees in connection to the creation of the SPEs, or because it acts as investment manager, custodian or in some other function. This in itself does not constitute a beneficial interest triggering consolidation. In some SPEs Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commit-

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ments. In these SPEs Nordea has a beneficial interest and retains the majority of the risks and rewards, which is why these SPEs are consolidated. Note P21 “Investments in group undertakings” lists the major group undertakings in the Nordea Group, including consolidated SPEs.

### Currency translation of foreign entities

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

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

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

## 6. Recognition of operating income and impairment

### Net interest income

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

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

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

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

### Net fee and commission income

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

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

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

### Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

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

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

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

“Net result from items at fair value” includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. However, the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 “Financial instruments” and Note G42 “Assets and liabilities at fair value”) are reported under “Net loan losses”. Impairment losses from instruments within other categories are recognised in the items “Net loan losses” or “Impairment of securities held as financial non-current assets” (see also the sub-sections “Net loan losses” and “Impairment of securities held as financial non-current assets” below).

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

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

### Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea’s share of net assets in the associated undertakings. Nordea’s

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share of items accounted for in other comprehensive income in the associated undertakings is accounted for in other comprehensive income in Nordea. Profits from companies accounted for under the equity method are, as stated in section 5 “Principles of consolidation”, reported in the income statement post-taxes. Consequently the tax expense related to these profits is excluded from the income tax expense for Nordea.

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

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

#### Other operating income

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

#### Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 13 “Financial instruments”), in the items “Loans to central banks”, “Loans to credit institutions” and “Loans to the public” on the balance sheet, are reported as “Net loan losses” together with losses from financial guarantees (including state guarantees in Denmark). Also the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 “Financial instruments”, and Note G42 “Assets and liabilities at fair value”) are reported under “Net loan losses”. Losses are reported net of any collateral and other credit enhancements. Nordea’s accounting policies for the calculation of impairment losses on loans can be found in section 14 “Loans to the public/credit institutions”.

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

#### Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearing securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings are

classified as “Impairment of securities held as financial non-current assets” in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 13 “Financial instruments” and section 14 “Loans to the public/credit institutions”.

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

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

#### 7. Income recognition life insurance

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

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

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

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

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

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

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 “Net result from items at fair value” as for any other investments in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders

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capital in the Nordea Life & Pensions group).

The note line “Change in technical provisions, Life” in Note G5 “Net result from items at fair value” includes:

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

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

## 8. Recognition and derecognition of financial instruments on the balance sheet

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

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

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

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

liabilities under trade date accounting are generally reclassified to “Other liabilities” on the balance sheet on trade date.

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

## 9. Translation of assets and liabilities denominated in foreign currencies

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

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item “Net result from items at fair value”.

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item “Net result from items at fair value”.

## 10. Hedge accounting

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

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

There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments in foreign operations

### Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea’s financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item “Net result from items at fair value”. Given an effective hedge, the two changes

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in fair value will more or less balance, meaning the net result is close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged item held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item “Fair value changes of the hedged items in portfolio hedge of interest rate risk” on the balance sheet.

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

#### *Hedged items*

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

#### *Hedging instruments*

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

#### **Cash flow hedge accounting**

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

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

#### *Hedged items*

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

#### *Hedging instruments*

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

#### **Hedges of net investments**

See separate section 9 “Translation of assets and liabilities denominated in foreign currencies”.

#### **Hedge effectiveness**

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

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

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

#### **11. Determination of fair value of financial instruments**

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item “Net result from items at fair value”.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

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

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

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

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

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note G42 “Assets and liabilities at fair value” provides a breakdown of fair values of financial instruments measured on the basis of:

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

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

New valuation models are subject to approval by the Model Risk Management Committee and all models are reviewed on

a regular basis.

For further information, see Note G42 “Assets and liabilities at fair value”.

## 12. Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with central banks where the following conditions are fulfilled:

- The central bank is domiciled in a country where Nordea is operating under a banking licence
- The balance is readily available at any time

Cash and cash equivalents are financial instruments classified into the category Loans and receivables, see section 13 “Financial instruments”.

Loans to credit institutions payable on demand are also recognised as “Cash and cash equivalents” in the cash flow statement together with instruments with central banks that can be resold immediately.

## 13. Financial instruments

### Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Financial assets at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (Fair Value Option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:

- Financial liabilities at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (Fair Value Option)
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note G41 “Classification of financial instruments” the classification of the financial instruments on Nordea’s balance sheet into different categories is presented.

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

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

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

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

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are mortgage loans and related issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab and interest-bearing securities, shares and investment

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contracts in Nordea Life & Pensions.

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

Interest-bearing securities, shares and investment contracts (defined in section 19 “Liabilities to policyholders”) in Nordea Life & Pensions are generally also classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The investment contracts (unit-linked) are held at fair value and to avoid an accounting mismatch also the related assets are held at fair value. This is valid also for insurance contracts (defined in section 19 “Liabilities to policyholders”) where the assets are generally held at fair value to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at fair value.

Nordea also applies the Fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/Financial liabilities at fair value through profit or loss.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 “Loans to the public/credit institutions”.

#### *Held to maturity*

Financial assets that Nordea has chosen to classify into the category Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held to maturity are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred the Held to maturity category is tainted, except for if the sale or transfer either occur close to maturity, after substantially all of the original principal

is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as “Impairment of securities held as financial non-current assets” in the income statement. See section 14 “Loans to the public/credit institutions” for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearing securities classified into the category Held to maturity.

#### *Available for sale*

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

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

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

#### *Other financial liabilities*

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

#### **Hybrid (combined) financial instruments**

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

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and

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risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item “Net result from items at fair value”.

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

#### Securities borrowing and lending agreements

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

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

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

#### Repurchase and reverse repurchase agreements

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

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

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

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

#### Derivatives

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

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

#### Offsetting of financial assets and liabilities

Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of

business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

#### 14. Loans to the public/credit institutions

Financial instruments classified as “Loans to the public/credit institutions” (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 8 “Recognition and derecognition of financial instruments on the balance sheet” as well as Note G41 “Classification of financial instruments”).

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

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

#### Impairment test of individually assessed loans

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

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

#### Impairment test of collectively assessed loans

Loans not impaired on an individual basis are collectively tested for impairment.

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

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

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the

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credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

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

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

### Impairment loss

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

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

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

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

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

### Discount rate

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

### Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it

performs according to the new conditions. Concessions made in reconstructions are regarded as final losses unless Nordea retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of loan losses.

### Assets taken over for protection of claims

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

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (Fair Value Option) (see section 13 "Financial instruments") and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

## 15. Leasing

### Nordea as lessor

#### Finance leases

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

#### Operating leases

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

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**Nordea as lessee***Finance leases*

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

*Operating leases*

Operating leases are not recognised on Nordea's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms normally range between 3 to 25 years.

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

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

*Embedded leases*

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

**16. Intangible assets**

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

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking at the date of acquisition. Goodwill on acquisition of group undertakings is included in "Intangible assets". Goodwill on acquisitions of associates is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Good-

will is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertakings. The policies covering impairment testing of associated undertakings is disclosed in section 6 "Recognition of operating income and impairment".

**IT-development/Computer software**

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

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

**Customer related intangible assets**

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

**Impairment**

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

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

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

**17. Property and equipment**

Property and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprise its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its in-

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tended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

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

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

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

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

### 18. Investment property

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

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

### 19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders.

An insurance contract is defined as “a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”.

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period. It is Nordea’s assessment that a risk percentage of five or higher is a significant insurance risk.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

### Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

Traditional life insurance provisions represent consolidated provisions for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland, Denmark, Poland, Luxembourg, Isle of Man, Estonia and Lithuania.

In Denmark, Sweden and Finland the measurements are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities’ current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates and assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is closely related to solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential.

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis in the same way as general insurance contracts.

### Investment contracts

Investment contracts are contracts with policyholders, which do not transfer sufficient insurance risk to be classified as insurance contracts.

However, investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”, equal to fair value of the assets linked to these

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contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

#### Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-features (Collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life" and/or "Change in collective bonus potentials, Life", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

#### Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

#### 20. Taxes

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based

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

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

#### 21. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

#### 22. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

##### Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 25 "Share-based payment".

More information can be found in Note G7 "Staff costs".

##### Post-employment benefits

###### *Pension plans*

The companies within Nordea have various pension plans, consisting of both defined benefit plans and defined contribution plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation, the net amount is, after adjusting for unrecog-

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nised actuarial gains/losses, recognised as a liability (defined benefit obligation). If not, the net amount is recognised as an asset (defined benefit asset). Non-funded pension plans are recognised as defined benefit obligations.

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

#### *Pension costs*

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted and unrecognised actuarial gains/losses adjusted for. Actuarial calculations, performed annually, are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G33 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, actuarial gains and losses may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The actuarial gains and losses are not recognised immediately in the income statement. Rather, only when the net cumulative unrecognised actuarial gain or loss exceeds a "corridor" equal to 10 percent of the greater of either the present value of the defined benefit obligation or the fair value of the plan assets, the excess is recognised in the income statement over the expected average remaining service period of the employees participating in the plan. Otherwise, actuarial gains and losses are not recognised.

When the calculation results in a benefit to the Nordea entity, the recognised asset is limited to the net total of any unrecognised actuarial losses, unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included in the "Retirement benefit obligation" or in the "Retirement benefit asset".

#### *Discount rate in Defined Benefit Plans*

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

#### **Termination benefits**

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

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

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

### **23. Equity**

#### **Non-controlling interests**

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

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

#### **Share premium reserve**

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. Transaction costs in connection to the rights issue have been deducted.

#### **Other reserves**

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges and financial assets classified into the category Available for sale as well as a reserve for translation differences.

#### **Retained earnings**

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

In addition, Nordea's share of the earnings in associated undertakings, after the acquisition date, that have not been distributed is included in retained earnings.

#### **Treasury shares**

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

### **24. Financial guarantee contracts and credit commitments**

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes

## G1

## Accounting policies

in provisions are recognised in the income statement in the item "Net loan losses".

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

## 25. Share-based payment

### Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in D-rights/Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G7 "Staff costs".

### Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines. The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note G7 "Staff costs".

## 26. Related party transactions

Nordea defines related parties as:

- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis.

### Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

### Group undertakings

For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P21 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

### Associated undertakings

For the definition of Associated undertakings see section 5 "Principles of consolidation".

Further information on the associated undertakings included in the Nordea Group is found in Note G19 "Investments in associated undertakings".

### Key management personnel

Key management personnel includes the following positions:

- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

### Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G46 "Related-party transactions".

## 27. Exchange rates

EUR 1 = SEK	Jan-Dec 2012	Jan-Dec 2011
Income statement (average)	8,7052	9,0293
Balance sheet (at end of period)	8,5820	8,9120
<b>EUR 1 = DKK</b>		
Income statement (average)	7,4438	7,4506
Balance sheet (at end of period)	7,4610	7,4342
<b>EUR 1 = NOK</b>		
Income statement (average)	7,4758	7,7946
Balance sheet (at end of period)	7,3483	7,7540
<b>EUR 1 = PLN</b>		
Income statement (average)	4,1836	4,1203
Balance sheet (at end of period)	4,0740	4,4580
<b>EUR 1 = RUB</b>		
Income statement (average)	39,9253	40,8809
Balance sheet (at end of period)	40,3295	41,7650

## G2

## Segment reporting

## Operating segments

## Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the business area reporting are that the information to CODM is prepared using current years' plan rates and to that different allocations principles between operating segments have been applied. Internally developed and bought software have previously been expensed as incurred in the operating segments but capitalised, as required by IAS 38, in the group's balance sheet. As from 2012 internally developed and bought software are capitalised directly in the operating segments. Comparative information has been restated accordingly.

## Basis of segmentation

Compared with the 2011 Annual Report there have been no changes in the basis of segmentation. Nordea's organisation is developed around the three main business areas Retail Banking, Wholesale Banking and Wealth Management and around the business unit Group Operations & Other Lines of Business. The separate divisions within these main business areas and business unit have been identified as operating segments. Also Group Corporate Centre has been identified as an operating segment. Financial results are presented for the two main business areas Retail Banking and Wholesale Banking, with further breakdown on operating segments, and for the operating segment Group Corporate Centre. Other operating

segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

## Reportable Operating segments

Retail Banking conducts a full service banking operation and offers a wide range of products. It is Nordea's largest customer area and serves household customers and corporate customers in the Nordic markets (Retail Banking Nordic) as well as in Poland and the Baltic countries (Retail Banking Poland & Baltic countries). Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Oil Services & International is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor made solutions and syndicated loan transactions. Nordea Bank Russia offers a full range of bank services to corporate and private customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas. Group Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Corporate Centre originates from Group Treasury.

	Retail Banking		Wholesale Banking		Group Corporate Centre		Other Operating segments <sup>1</sup>		Total operating segments		Reconciliation		Total Group	
Income statement, EURm	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	3,881	3,651	1,145	1,214	399	363	131	159	5,556	5,387	196	69	5,752	5,456
Net fee and commission income	1,468	1,421	528	547	-6	-14	582	573	2,572	2,527	-68	-132	2,504	2,395
Net result from items at fair value	355	423	1,061	822	84	10	378	290	1,878	1,545	-94	-28	1,784	1,517
Profit from associated undertakings accounted for under the equity method	37	22	0	0	-1	0	4	2	40	24	53	18	93	42
Other income	35	23	11	5	4	0	133	105	183	133	-80	-42	103	91
<b>Total operating income</b>	<b>5,776</b>	<b>5,540</b>	<b>2,745</b>	<b>2,588</b>	<b>480</b>	<b>359</b>	<b>1,228</b>	<b>1,129</b>	<b>10,229</b>	<b>9,616</b>	<b>7</b>	<b>-115</b>	<b>10,236</b>	<b>9,501</b>
- of which internal transactions <sup>2</sup>	-2,104	-2,058	-458	-413	2,646	2,573	-84	-102	0	0	—	—	—	—
Staff costs	-1,306	-1,333	-773	-718	-69	-62	-704	-674	-2,852	-2,787	-196	-326	-3,048	-3,113
Other expenses	-1,797	-1,900	-102	-106	-90	-100	55	69	-1,934	-2,037	74	123	-1,860	-1,914
Depreciation, amortisation and impairment charges of tangible and intangible assets	-93	-74	-38	-20	-1	0	-91	-68	-223	-162	-55	-30	-278	-192
<b>Total operating expenses</b>	<b>-3,196</b>	<b>-3,307</b>	<b>-913</b>	<b>-844</b>	<b>-160</b>	<b>-162</b>	<b>-740</b>	<b>-673</b>	<b>-5,009</b>	<b>-4,986</b>	<b>-177</b>	<b>-233</b>	<b>-5,186</b>	<b>-5,219</b>
<b>Profit before loan losses</b>	<b>2,580</b>	<b>2,233</b>	<b>1,832</b>	<b>1,744</b>	<b>320</b>	<b>197</b>	<b>488</b>	<b>456</b>	<b>5,220</b>	<b>4,630</b>	<b>-170</b>	<b>-348</b>	<b>5,050</b>	<b>4,282</b>
Net loan losses	-625	-597	-308	-173	0	0	-24	-8	-957	-778	24	43	-933	-735
<b>Operating profit</b>	<b>1,955</b>	<b>1,636</b>	<b>1,524</b>	<b>1,571</b>	<b>320</b>	<b>197</b>	<b>464</b>	<b>448</b>	<b>4,263</b>	<b>3,852</b>	<b>-146</b>	<b>-305</b>	<b>4,117</b>	<b>3,547</b>
Income tax expense	-517	-436	-419	-407	-79	-52	-120	-122	-1,135	-1,017	144	104	-991	-913
<b>Net profit for the year</b>	<b>1,438</b>	<b>1,200</b>	<b>1,105</b>	<b>1,164</b>	<b>241</b>	<b>145</b>	<b>344</b>	<b>326</b>	<b>3,128</b>	<b>2,835</b>	<b>-2</b>	<b>-201</b>	<b>3,126</b>	<b>2,634</b>
<b>Balance sheet, EURbn</b>														
Loans to the public <sup>3</sup>	225	218	64	62	0	0	8	8	297	288	49	49	346	337
Deposits and borrowings from the public <sup>3</sup>	109	105	46	39	0	0	10	10	165	154	36	36	201	190

1) Including the main business area Wealth Management and the business unit Group Operations & Other Lines of Business.

2) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

3) The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision Maker.

## G2

## Segment reporting, cont.

## Break-down of Retail Banking

	Retail Banking Nordic <sup>1</sup>		Retail Banking Poland & Baltic countries <sup>1</sup>		Retail Banking Other <sup>2</sup>		Total Retail Banking	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Income statement, EURm</b>								
Net interest income	3,893	3,602	304	275	-316	-226	3,881	3,651
Net fee and commission income	1,420	1,374	76	72	-28	-25	1,468	1,421
Net result from items at fair value	344	375	24	50	-13	-2	355	423
Profit from associated undertakings accounted for under the equity method	37	22	0	0	0	0	37	22
Other income	18	5	5	7	12	11	35	23
<b>Total operating income</b>	<b>5,712</b>	<b>5,378</b>	<b>409</b>	<b>404</b>	<b>-345</b>	<b>-242</b>	<b>5,776</b>	<b>5,540</b>
- of which internal customers <sup>3</sup>	-1,688	-1,766	-57	-34	-359	-258	-2,104	-2,058
Staff costs	-993	-1,025	-69	-75	-244	-233	-1,306	-1,333
Other expenses	-1,931	-2,032	-110	-114	244	246	-1,797	-1,900
Depreciation, amortisation and impairment charges of tangible and intangible assets	-42	-36	-8	-8	-43	-30	-93	-74
<b>Total operating expenses</b>	<b>-2,966</b>	<b>-3,093</b>	<b>-187</b>	<b>-197</b>	<b>-43</b>	<b>-17</b>	<b>-3,196</b>	<b>-3,307</b>
<b>Profit before loan losses</b>	<b>2,746</b>	<b>2,285</b>	<b>222</b>	<b>207</b>	<b>-388</b>	<b>-259</b>	<b>2,580</b>	<b>2,233</b>
Net loan losses	-561	-531	-64	-66	0	0	-625	-597
<b>Operating profit</b>	<b>2,185</b>	<b>1,754</b>	<b>158</b>	<b>141</b>	<b>-388</b>	<b>-259</b>	<b>1,955</b>	<b>1,636</b>
Income tax expense	-575	-461	-39	-43	97	68	-517	-436
<b>Net profit for the year</b>	<b>1,610</b>	<b>1,293</b>	<b>119</b>	<b>98</b>	<b>-291</b>	<b>-191</b>	<b>1,438</b>	<b>1,200</b>
<b>Balance sheet, EURbn</b>								
Loans to the public	211	205	14	13	0	0	225	218
Deposits and borrowings from the public	104	101	5	4	0	0	109	105

1) Retail Banking Nordic includes banking operations in Denmark, Finland, Norway and Sweden, while Retail Banking Poland & Baltic countries includes banking operations in Estonia, Latvia, Lithuania and Poland.

2) Retail Banking Other includes the support areas Development & Projects, Distribution, Segments, Products and IT within the main business area Retail Banking.

3) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

## G2

## Segment reporting, cont.

## Break-down of Wholesale Banking

	Corporate & Institutional Banking		Shipping, Offshore & Oil Services		Nordea Bank Russia		Capital Markets unallocated		Wholesale Bank- ing Other <sup>1</sup>		Total Wholesale Banking	
Income statement, EURm	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	802	785	319	328	196	171	9	3	-181	-73	1,145	1,214
Net fee and commission income	546	542	61	82	15	14	-97	-94	3	3	528	547
Net result from items at fair value	396	413	27	29	8	13	630	367	0	0	1,061	822
Profit from associated undertakings accounted for under the equity method	0	0	0	0	0	0	0	0	0	0	0	0
Other income	1	0	0	0	3	1	2	1	5	3	11	5
<b>Total operating income</b>	<b>1,745</b>	<b>1,740</b>	<b>407</b>	<b>439</b>	<b>222</b>	<b>199</b>	<b>544</b>	<b>277</b>	<b>-173</b>	<b>-67</b>	<b>2,745</b>	<b>2,588</b>
- of which internal transactions <sup>2</sup>	-229	-204	-67	-74	-46	-27	70	-23	-186	-85	-458	-413
Staff costs	-39	-39	-24	-25	-66	-56	-444	-406	-200	-192	-773	-718
Other expenses	-439	-438	-41	-41	-31	-34	205	224	204	183	-102	-106
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	-5	-6	-1	-1	-32	-13	-38	-20
<b>Total operating expenses</b>	<b>-478</b>	<b>-477</b>	<b>-65</b>	<b>-66</b>	<b>-102</b>	<b>-96</b>	<b>-240</b>	<b>-183</b>	<b>-28</b>	<b>-22</b>	<b>-913</b>	<b>-844</b>
<b>Profit before loan losses</b>	<b>1,267</b>	<b>1,263</b>	<b>342</b>	<b>373</b>	<b>120</b>	<b>103</b>	<b>304</b>	<b>94</b>	<b>-201</b>	<b>-89</b>	<b>1,832</b>	<b>1,744</b>
Net loan losses	-67	-31	-234	-136	-6	-7	0	0	-1	1	-308	-173
<b>Operating profit</b>	<b>1,200</b>	<b>1,232</b>	<b>108</b>	<b>237</b>	<b>114</b>	<b>96</b>	<b>304</b>	<b>94</b>	<b>-202</b>	<b>-88</b>	<b>1,524</b>	<b>1,571</b>
Income tax expense	-288	-294	-77	-89	-27	-24	-76	-24	49	24	-419	-407
<b>Net profit for the year</b>	<b>912</b>	<b>938</b>	<b>31</b>	<b>148</b>	<b>87</b>	<b>72</b>	<b>228</b>	<b>70</b>	<b>-153</b>	<b>-64</b>	<b>1,105</b>	<b>1,164</b>
<b>Balance sheet, EURbn</b>												
Loans to the public	45	44	13	13	6	5	0	0	0	0	64	62
Deposits and borrowings from the public	39	33	5	5	2	1	0	0	0	0	46	39

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

2) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

## G2

## Segment reporting, cont.

## Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2012	2011	2012	2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Total Operating segments	10,229	9,616	4,263	3,852	297	288	165	154
Group functions <sup>1</sup>	10	9	-117	-236	0	0	0	0
Unallocated items	30	53	-83	-67	45	39	20	17
Eliminations	-195	-181	—	—	—	—	—	—
Differences in accounting policies <sup>2</sup>	162	4	54	-2	4	10	16	19
<b>Total</b>	<b>10,236</b>	<b>9,501</b>	<b>4,117</b>	<b>3,547</b>	<b>346</b>	<b>337</b>	<b>201</b>	<b>190</b>

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

2) Impact from plan rates used in the segment reporting.

## Total operating income split on product groups, EURm

	2012	2011
Banking products	6,571	6,215
Capital Markets products	2,329	2,068
Savings products & Asset management	739	691
Life & Pensions	546	417
Other	51	110
<b>Total</b>	<b>10,236</b>	<b>9,501</b>

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consist of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers. Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds. Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invest in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decisions. Life & Pensions includes life insurance and pension products and services.

## Geographical information

	Total operating income, EURm		Assets, EURbn	
	2012	2011	31 Dec 2012	31 Dec 2011
Sweden	2,246	2,290	145	146
Finland	1,792	1,573	73	78
Norway	1,944	1,983	92	89
Denmark	3,133	2,680	275	320
Baltic countries	212	28	10	1
Poland	246	252	9	9
Russia	180	180	5	6
Other	483	515	68	67
<b>Total</b>	<b>10,236</b>	<b>9,501</b>	<b>677</b>	<b>716</b>

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

## G3

## Net interest income

EURm	2012	2011
<b>Interest income</b>		
Loans to credit institutions	105	282
Loans to the public	10,634	10,318
Interest-bearing securities	901	904
Other interest income	624	451
<b>Interest income</b>	<b>12,264</b>	<b>11,955</b>
<b>Interest expense</b>		
Deposits by credit institutions	-217	-240
Deposits and borrowings from the public	-2,007	-2,158
Debt securities in issue	-3,965	-3,586
Subordinated liabilities	-354	-330
Other interest expenses <sup>1</sup>	31	-185
<b>Interest expense</b>	<b>-6,512</b>	<b>-6,499</b>
<b>Net interest income</b>	<b>5,752</b>	<b>5,456</b>

1) The net interest income from derivatives, measured at fair value and are related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1.

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 9,844m (EUR 9,178m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR -5,283m (EUR -4,819m).

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

## Net interest income

EURm	2012	2011
Interest income	11,955	11,662
Leasing income <sup>1</sup>	309	293
Interest expense	-6,512	-6,499
<b>Total</b>	<b>5,752</b>	<b>5,456</b>

1) Of which contingent leasing income amounts to EUR 148m (EUR 146m). Contingent leasing income in Nordea contains of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

## G4

## Net fee and commission income

EURm	2012	2011
Asset management commissions	832	754
Life insurance	301	306
Brokerage, securities issues and corporate finance	289	266
Custody and issuers services	117	115
Deposits	54	44
<b>Total savings related commissions</b>	<b>1,593</b>	<b>1,485</b>
Payments	416	399
Cards	487	446
<b>Total payment commissions</b>	<b>903</b>	<b>845</b>
Lending	463	437
Guarantees and documentary payment	225	214
<b>Total lending related to commissions</b>	<b>688</b>	<b>651</b>
Other commission income	122	141
<b>Fee and commission income</b>	<b>3,306</b>	<b>3,122</b>
Savings and investments	-276	-245
Payments	-92	-87
Cards	-238	-219
State guarantee fees	-89	-55
Other commission expenses	-107	-121
<b>Fee and commission expense</b>	<b>-802</b>	<b>-727</b>
<b>Net fee and commission income</b>	<b>2,504</b>	<b>2,395</b>

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 491m (EUR 468m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to EUR 1,422m (EUR 1,260m). The corresponding amount for fee expenses is EUR -64m (EUR -67m).

## G5

## Net result from items at fair value

EURm	2012	2011
Shares/participations and other share-related instruments	1,657	-518
Interest-bearing securities and other interest-related instruments	2,638	1,452
Other financial instruments	484	163
Foreign exchange gains/losses	253	546
Investment properties	135	158
Change in technical provisions, Life <sup>2</sup>	-2,935	-937
Change in collective bonus potential, Life	-544	607
Insurance risk income, Life	188	217
Insurance risk expense, Life	-92	-171
<b>Total</b>	<b>1,784</b>	<b>1,517</b>

Net result from categories of financial instruments<sup>1</sup>

EURm	2012	2011
Financial instruments designated at fair value through profit or loss	40	20
Financial instruments held for trading <sup>3</sup>	1,191	988
Financial instruments under fair value hedge accounting	36	10
– of which net gains/losses on hedging instruments	1,076	1,940
– of which net gains/losses on hedged items	-1,040	-1,930
Financial assets measured at amortised cost <sup>4</sup>	29	10
Financial liabilities measured at amortised cost	-23	-8
Foreign exchange gains/losses excluding currency hedges	230	317
Other	-2	1
Financial risk income, net Life <sup>2</sup>	187	132
Insurance risk income, net Life	96	47
<b>Total</b>	<b>1,784</b>	<b>1,517</b>

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, ie before eliminations of intra-group transactions.

2) Premium income amounts to EUR 2,601m (EUR 2,544m).

3) Of which amortised deferred day one profits amounts to EUR 12m (EUR 14m).

4) Of which EUR 21m related to instruments classified into the category "Loans and receivables" and EUR 8m related to instruments classified into the category "Held to maturity".

## G6

## Other operating income

EURm	2012	2011
Sale of global custody operations	4	2
Income from real estate	10	3
Disposal of tangible and intangible assets	13	10
Other	76	76
<b>Total</b>	<b>103</b>	<b>91</b>

## G7

## Staff costs

EURm	2012	2011
Salaries and remuneration (specification below) <sup>1</sup>	-2,327	-2,343
Pension costs (specification below)	-247	-299
Social security contributions	-398	-388
Other staff costs	-76	-83
<b>Total<sup>2</sup></b>	<b>-3,048</b>	<b>-3,113</b>

**Salaries and remuneration**To executives<sup>3</sup>

– Fixed compensation and benefits	-21	-20
– Performance-related compensation	-8	-7
– Allocation to profit-sharing	-1	0
<b>Total</b>	<b>-30</b>	<b>-27</b>
To other employees	-2,297	-2,316
<b>Total</b>	<b>-2,327</b>	<b>-2,343</b>

1) Of which allocation to profit-sharing 2012 EUR 65m (EUR 37m) consisting of a new allocation of EUR 70m (EUR 43m) and a release related to prior years of EUR 5m (EUR 6m).

2) Of which EUR 111m related to New Normal in 2011.

3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating group undertakings, are included. Executives amount to 315 (315) positions.

EURm	2012	2011
<b>Pension costs<sup>1</sup></b>		
Defined benefits plans (Note G33) <sup>2</sup>	-58	-104
Defined contribution plans	-189	-195
<b>Total</b>	<b>-247</b>	<b>-299</b>

1) Pension cost for executives as defined in footnote 3 above, amounts to EUR 8m (EUR 8m) and pension obligations to EUR 57m (EUR 56m).

2) Excluding social security contributions. Including social security contributions EUR 66m (EUR 124m).

**Additional disclosures on remuneration under Nordic FSAs' regulations and general guidelines**

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage ([www.nordea.com](http://www.nordea.com)) one week before the Annual General Meeting on 14 March 2013.

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

The remuneration for the Board was decided to be unchanged by the Annual General Meeting (AGM) 2012. The remuneration was EUR 252,000 for the Chairman, EUR 97,650 for the Vice Chairman and EUR 75,600 for other members and the annual remuneration for committee work was EUR 16,600 for the chairman of the committee and EUR 12,900 for other members. Board members employed by Nordea do not receive separate compensation for their Board membership. There are no commitments for severance pay, pension or other compensation to the members of the Board, except for pension commitments to one Board member previously employed by Nordea.

**Salary and benefits****CEO**

The fixed salary, variable salary part and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board. Variable salary part 2012, which is based on agreed, specific targets, can amount to a maximum of 35% of the fixed salary.

The fixed salary was increased with 2.5% to SEK 10,762,500 (EUR 1,236,330) as from 1 January 2012, which was announced at the AGM 2012. For 2012 the CEO has earned variable salary part which, together with the fixed salary, is in accordance with Nordea's remuneration guidelines approved by the AGM 2012. The CEO takes part of the Long Term Incentive Programmes as described in the separate section on remuneration in the Board of Directors' report and below. Benefits for the CEO include primarily car and housing.

**Group Executive Management (GEM)**

The BRC prepares alterations in salary levels and outcome of variable salary part as well as other changes in the compensation package for members of GEM, for resolution by the Board. Variable salary part 2012, which is based on agreed, specific targets, can be a maximum of 35% of the fixed salary.

As for the CEO, GEM members take part of the Long Term Incentive Programmes. Benefits include primarily car and/or housing.

G7

## Staff costs, cont.

EUR	Fixed salary/ Board fee <sup>1</sup>		Variable salary part		Long Term Incentive Programmes <sup>2</sup>		Benefits		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>Chairman of the Board:</b>										
Björn Wahlroos <sup>3</sup>	-267,115	-227,219	—	—	—	—	—	—	-267,115	-227,219
<b>Vice Chairman of the Board:</b>										
Marie Ehrling <sup>4</sup>	-115,207	-112,839	—	—	—	—	—	—	-115,207	-112,839
<b>Former chairman of the Board:</b>										
Hans Dalborg <sup>5</sup>	—	-74,199	—	—	—	—	—	—	—	-74,199
<b>Other Board members:<sup>6</sup></b>										
Tom Knutzen	-89,240	-93,278	—	—	—	—	—	—	-89,240	-93,278
Lars G Nordström	-89,240	-87,767	—	—	—	—	—	—	-89,240	-87,767
Björn Savén <sup>7</sup>	—	-93,278	—	—	—	—	—	—	—	-93,278
Svein Jacobsen	-92,971	-98,201	—	—	—	—	—	—	-92,971	-98,201
Stine Bosse	-89,240	-89,590	—	—	—	—	—	—	-89,240	-89,590
Sarah Russell	-89,240	-93,278	—	—	—	—	—	—	-89,240	-93,278
Kari Stadigh	-92,971	-96,089	—	—	—	—	—	—	-92,971	-96,089
Peter F Braunwalder <sup>8</sup>	-66,483	—	—	—	—	—	—	—	-66,483	—
<b>CEO:</b>										
Christian Clausen <sup>9</sup>	-1,236,330	-1,162,884	-383,262	-308,164	-277,292	-144,782	-57,653	-22,411	-1,954,537	-1,638,241
<b>Group Executive Management (GEM):</b>										
7 (7) individuals excluding CEO <sup>10</sup>	-5,248,832	-4,637,433	-1,560,348	-1,084,710	-1,170,473	-507,492	-264,791	-222,780	-8,244,444	-6,452,415
<b>Total</b>	<b>-7,476,869</b>	<b>-6,866,055</b>	<b>-1,943,610</b>	<b>-1,392,874</b>	<b>-1,447,765</b>	<b>-652,274</b>	<b>-322,444</b>	<b>-245,191</b>	<b>-11,190,688</b>	<b>-9,156,394</b>

1) The Board fee consists of a fixed annual fee and a fixed annual fee for committee work. These are accounted for in SEK and translated into EUR based on the average exchange rate each year.

2) CEO and members of GEM have a conditional right to maximum 61,158 matching shares, 122,316 performance shares I and 61,158 performance shares II in LTIP 2010, 114,867 matching shares, 229,735 performance shares I and 114,867 performance shares II in LTIP 2011 and 157,978 matching shares, 473,934 performance shares I and 157,978 performance shares II in LTIP 2012. The disclosed expense is calculated in accordance with IFRS 2 "Share-based Payment". LTIP costs increased mainly as LTIP 2011 and LTIP 2012 allows CEO and members of GEM to invest 15% of their salaries in saving shares instead of 10% in earlier programmes. The LTIP expense in 2011 was also on a lower level due to a shift from a two year vesting period until LTIP 2009 to a three year vesting period as from LTIP 2010. See below for more information on the valuation of the Long Term Incentive Programmes.

3) New Chairman of the Board as from the AGM 2011.

4) New Vice Chairman of the Board as from the AGM 2011.

5) Resigned as Chairman of the Board as from the AGM 2011.

6) Employee representatives excluded.

7) Resigned as Board member in December 2011.

8) New member of the Board as from the AGM 2012.

9) The CEO's salary is paid in SEK and converted to EUR based on the average exchange rate each year. The increase in fixed salary 2012 is in accordance with the salary increase communicated at the AGM 2012 of 2.5% and the remaining increase is due to the exchange rate effect. Benefits are included at taxable values after salary deduction. In 2011 Nordea bought an apartment to be used by the CEO as from April 2012. The new housing arrangement has had an increasing effect on the disclosed housing benefit, defined as the taxable benefit used when calculating social charges. The taxable housing benefit for the CEO is largely unchanged.

10) GEM members are included for the period they have been appointed. Two new GEM members were appointed, and one member retired, in May 2011. The increase in compensation is mainly due to the full year impact of one additional GEM member, a general salary increase and exchange rate effects. Benefits are included at taxable values.

**Pension****CEO**

The retirement age for the CEO is 60 and his pension amounts to 50% of the pensionable income for life. Pensionable income is defined as the fixed salary. The maximum pensionable income is 200 Swedish Income Base Amounts. The pension obligation is fully funded, meaning that it is covered in full by plan assets. At retirement the pension risk is transferred to the CEO. Pension payments are to be made in accordance with local legislations and pension insurance conditions.

**Group Executive Management (GEM)**

The pension agreements vary due to local country practices.

GEM members are entitled to retire with pension at the age of 60, 62 or 70. Pension agreements are Defined Benefit Plans (DBP), Defined Contribution Plans (DCP) or a combination of such plans.

Two members have DBPs not based on collective agreements. One of these DBPs provides retirement pension amounting to 50% of pensionable income for life from age 62, including national pension benefits. The second DBP not based on a collective agreement provides a retirement pension from age 60, including both national pension benefits and previously earned pension. The retirement pension benefit in this plan decreased from 70% to 66% of pensionable income for future earnings as from 1 January 2011. Two members have DBPs in accordance with the Swedish collective agreement and complementing DCPs. Three members have DCPs only. Fixed salary is pensionable income for all GEM-members. Variable salary part is included for two members.

## G7

## Staff costs, cont.

EUR	2012		2011	
	Pension cost <sup>4</sup>	Pension obligation <sup>5</sup>	Pension cost <sup>4</sup>	Pension obligation <sup>5</sup>
<b>Board members<sup>1</sup>:</b>				
Lars G Nordström	—	402,250	—	430,549
<b>CEO:</b>				
Christian Clausen <sup>2</sup>	-843,527	12,151,364	-1,514,941	11,466,681
<b>Group Executive Management:</b>				
7 (7) individuals excluding CEO <sup>3</sup>	-2,108,905	5,337,679	-2,184,289	4,606,923
<b>Former Chairman of the Board and CEOs:</b>				
Vesa Vainio and Thorleif Krarup <sup>6</sup>	—	18,132,111	—	18,271,060
<b>Total</b>	<b>-2,952,432</b>	<b>36,023,404</b>	<b>-3,699,230</b>	<b>34,775,213</b>

1) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP and earned during the employment period.

2) The main reason behind the decrease in pension cost is the increase of the maximum pensionable income in 2011, from 190 Swedish Income Base Amounts to 200 Swedish Income Base Amounts, which gave rise to a Past service cost of EUR 838,042 in 2011. The Past service cost constituted the retroactive adjustment of the pension earned in earlier periods following the increase in the maximum pensionable income. New pension rights earned in 2012, the discount factor and exchange rate effects have had an increasing impact on the pension obligation, while changes in actuarial assumptions have had a decreasing impact.

3) Members of GEM included for the period they have been appointed. The pension obligation is the obligation towards the members of GEM as of 31 December. The increase in the pension obligation is due to new pension rights earned and exchange rate effects, to some extent offset by changes in actuarial assumptions.

4) Pension costs are related to pension premiums paid in DCP agreements and pension rights earned during the year in DBP agreements (Service cost, Past service cost and Curtailments and settlements as defined in IAS 19). Of the total pension cost EUR 1,094,953 (1,029,988) relates to DCP agreements.

5) Pension obligations calculated in accordance with IAS 19. These obligations are dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

6) The pension obligation for Vesa Vainio and Thorleif Krarup is mainly due to pension rights earned in, and funded by, banks forming Nordea.

**Notice period and severance pay**

In accordance with their employment contracts CEO and three GEM members have a notice period of 12 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. Four GEM members are entitled to 6 months' salary during the notice period, and with regard to severance pay 18 months' salary to be reduced by the salary they receive as a result of any other employment during these 18 months.

**Loans to key management personnel**

Loans to key management personnel, as defined in Note G1 section 26, amounts to EUR 6m (EUR 4m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees, except for key management personnel in Denmark whose loans are granted on terms based on market conditions. In Norway the employee interest rate for loans is 100 basis points lower than the best corresponding interest rate for external customers, with a cap on the loan amount of 3 times salary grade 55 plus NOK 100,000. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 10 basis points up to EUR 400,000, and 30 basis points on the part that exceeds EUR 400,000. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points for variable interest rate loans and 150 basis points for fixed interest rate loans). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

**Long Term Incentive Programmes**

	2012			2011		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
<b>Conditional rights LTIP 2012</b>						
Granted	1,270,410	3,188,486	1,270,410	—	—	—
Forfeited	-5,973	-11,946	-5,973	—	—	—
<b>Outstanding at end of year</b>	<b>1,264,437</b>	<b>3,176,540</b>	<b>1,264,437</b>	<b>—</b>	<b>—</b>	<b>—</b>
– of which currently exercisable	—	—	—	—	—	—
<b>Conditional rights LTIP 2011</b>						
Outstanding at the beginning of year	950,056	1,900,112	950,056	—	—	—
Granted <sup>1</sup>	35,599	71,199	35,599	950,056	1,900,112	950,056
Forfeited	-14,460	-28,920	-14,460	—	—	—
<b>Outstanding at end of year</b>	<b>971,195</b>	<b>1,942,391</b>	<b>971,195</b>	<b>950,056</b>	<b>1,900,112</b>	<b>950,056</b>
– of which currently exercisable	—	—	—	—	—	—
<b>Conditional rights LTIP 2010</b>						
Outstanding at the beginning of year	889,163	1,778,326	889,163	896,645	1,793,290	896,645
Forfeited	-18,135	-36,270	-18,135	-7,482	-14,964	-7,482
<b>Outstanding at end of year</b>	<b>871,028</b>	<b>1,742,056</b>	<b>871,028</b>	<b>889,163</b>	<b>1,778,326</b>	<b>889,163</b>
– of which currently exercisable	—	—	—	—	—	—

G7

## Staff costs, cont.

Rights LTIP 2009	2012			2011		
	A-rights	B-C-rights	D-rights	A-rights	B-C-rights	D-rights
Outstanding at the beginning of year	316,498	306,340	119,944	959,006	959,006	383,602
Forfeited	-11,962	-11,962	-11,962	—	—	—
Exercised <sup>2</sup>	-202,631	-186,841	-73,678	-642,508	-652,666	-263,658
<b>Outstanding at end of year</b>	<b>101,905</b>	<b>107,537</b>	<b>34,304</b>	<b>316,498</b>	<b>306,340</b>	<b>119,944</b>
– of which currently exercisable	101,905	107,537	34,304	316,498	306,340	119,944

## Rights LTIP 2008

Outstanding at the beginning of year	52,654	54,351	43,573	98,255	100,383	80,695
Forfeited	-7,043	-7,043	-7,043	-500	-500	-500
Exercised <sup>2</sup>	-45,611	-47,308	-36,530	-45,101	-45,532	-36,622
<b>Outstanding at end of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52,654</b>	<b>54,351</b>	<b>43,573</b>
– of which currently exercisable	0	0	0	52,654	54,351	43,573

1) Granted rights in 2012 in LTIP 2011 are compensation for dividend on the underlying Nordea share during 2012.

2) Weighted average share price during the exercise period amounts to EUR 6.88 (EUR 7.45).

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

	LTIP 2012			LTIP 2011		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.0	1.0	1.0	1.00	1.00	1.00
Exercise price	—	—	—	—	—	—
Grant date	13 May 2012	13 May 2012	13 May 2012	13 May 2011	13 May 2011	13 May 2011
Vesting period	36 months	36 months	36 months	36 months	36 months	36 months
Contractual life	36 months	36 months	36 months	36 months	36 months	36 months
Allotment	April/May 2015	April/May 2015	April/May 2015	April/May 2014	April/May 2014	April/May 2014
Fair value at grant date	EUR 6.55	EUR 6.55	EUR 2.37	EUR 7.90 <sup>1</sup>	EUR 7.90 <sup>1</sup>	EUR 2.86 <sup>1</sup>

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

	LTIP 2010			LTIP 2009		
	Matching Share	Performance Share I	Performance Share II	A-rights	B-C-rights	D-rights
Ordinary share per right	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price	—	—	—	EUR 0.51	EUR 0.12	EUR 0.12
Grant date	13 May 2010	13 May 2010	13 May 2010	14 May 2009	14 May 2009	14 May 2009
Vesting period	36 months	36 months	36 months	24 months	24 months	24 months
Contractual life	36 months	36 months	36 months	48 months	48 months	48 months
Allotment/First day of exercise	April/May 2013	April/May 2013	April/May 2013	29 April 2011	29 April 2011	29 April 2011
Fair value at grant date	EUR 6.75	EUR 6.75	EUR 2.45	EUR 4.66	EUR 5.01	EUR 1.75

	LTIP 2008 <sup>1</sup>		
	A-rights	B-C-rights	D-rights
Ordinary share per right	1.30	1.30	1.30
Exercise price	EUR 1.75	EUR 0.98	EUR 0.98
Grant date	13 May 2008	13 May 2008	13 May 2008
Vesting period	24 months	24 months	24 months
Contractual life	48 months	48 months	48 months
First day of exercise	29 April 2010	29 April 2010	29 April 2010
Fair value at grant date	EUR 7.53	EUR 8.45	EUR 4.14

1) The new rights issue, which was resolved on an extra ordinary general meeting on 12 March 2009, triggered recalculations of some of the parameters in LTIP 2008, in accordance with the agreement of the programme. The recalculation was performed with the purpose of putting the participants in an equivalent financial position as the one being at hand immediately prior to the new rights issue.

## G7

## Staff costs, cont.

## Conditions and requirements

For each ordinary share the participants lock in to the LTIPs, they are granted a conditional A-right/Matching Share to acquire or receive ordinary shares based on continued employment, with certain exemptions, and the conditional B-D-rights/Performance Share I and II to acquire or receive additional ordinary shares also based on fulfilment of certain performance conditions. The performance conditions for B- and C-rights and for Performance Share I comprise a target growth in risk adjusted profit per share (RAPPS) or a target in risk-adjusted return on capital at risk (RAROCAR). Should the reported earnings per share (EPS) be lower than a predetermined level the participants are not entitled to exercise any

B- or C-rights or Performance Share I. The performance conditions for D-rights and Performance Share II are market related and comprise growth in total shareholder return (TSR) in comparison with a peer group's TSR or a target in RAROCAR and in P/B-ranking compared to a peer group.

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

The exercise price, where applicable, for the ordinary shares is adjusted for dividends, however never adjusted below a predetermined price. Furthermore the profit for each right is capped.

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009 <sup>1</sup>	LTIP 2008 <sup>1</sup>
<b>Service condition, A-D-rights/Matching Share/Performance Share I and II</b>	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.	Employed, with certain exemptions, within the Nordea Group during the two year vesting period.	Employed, with certain exemptions, within the Nordea Group during the two year vesting period.
<b>Performance condition, B-rights/Performance Share I</b>	Average RAROCAR during the period 2012 up to and including 2014. Full right to exercise will be obtained if the RAROCAR amounts to 17%.	Compound Annual Growth Rate in RAPPS from year 2010 (base year) to and including year 2013. Full right to exercise will be obtained if the Compound Annual Growth Rate amounts to or exceeds 10%.	Compound Annual Growth Rate in RAPPS from year 2009 (base year) to and including year 2012. Full right to exercise will be obtained if the Compound Annual Growth Rate amounts to or exceeds 9%.	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 8% or more.	Increase in RAPPS 2008 compared to 2007. Full right to exercise was obtained if RAPPS increased by 12% or more.
<b>EPS knock out, B-rights/Performance Share I</b>	—	Average reported EPS for 2011–2013 lower than EUR 0.26.	Average reported EPS for 2010–2012 lower than EUR 0.26.	Reported EPS for 2009 lower than EUR 0.26.	Reported EPS for 2008 lower than EUR 0.80.
<b>Performance condition, C-rights</b>	—	—	—	Increase in RAPPS 2010 compared to 2009. Full right to exercise was obtained if RAPPS increased by 8% or more.	Increase in RAPPS 2009 compared to 2008. Full right to exercise was obtained if RAPPS increased by 12% or more.
<b>EPS knock out, C-rights</b>	—	—	—	Reported EPS for 2010 lower than EUR 0.26.	Reported EPS for 2009 lower than EUR 0.52.
<b>Performance condition, D-rights/Performance Share II</b>	RAROCAR during the period 2012 up to and including 2014 and P/B-ranking year-end 2014 compared to a peer group. Full right to exercise will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1–5.	TSR during 2011–2013 in comparison with a peer group. Full right to exercise will be obtained if Nordea is ranked number 1–5.	TSR during 2010–2012 in comparison with a peer group. Full right to exercise will be obtained if Nordea is ranked number 1–5.	TSR during 2009–2010 in comparison with a peer group. Full right to exercise was obtained if Nordea was ranked number 1.	TSR during 2008–2009 in comparison with a peer group. Full right to exercise was obtained if Nordea was ranked number 1.
<b>Cap</b>	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2010.	The market value of the allotted shares is capped to the participants' annual salary for year-end 2009.	The profit per A-D-right is capped to EUR 9.59 per right.	The profit per A-D-right is capped to EUR 21.87 per right.

G7

## Staff costs, cont.

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009 <sup>1</sup>	LTIP 2008 <sup>1</sup>
<b>Dividend compensation</b>	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.	—	The exercise price will be adjusted for dividends during the exercise period, however never adjusted below EUR 0.10.	The exercise price will be adjusted for dividends during the exercise period, however never adjusted below EUR 0.10.

1) RAPPS for the financial year 2008 and 2009 used for LTIP 2008 (C-rights) and LTIP 2009 (B- and C-rights), EPS knock out in LTIP 2008 (C-rights) and LTIP 2009 (B- and C-rights) and the cap in LTIP 2009 and LTIP 2008 were in 2009 adjusted due to the financial effects of the new rights issue in 2009.

## Fair value calculations

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

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008
Weighted average share price	EUR 6.70	EUR 8.39	EUR 6.88	EUR 5.79	EUR 11.08
Right life	3.0 years	3.0 years	3.0 years	2.5 years	2.5 years
Deduction of expected dividends	No	No	No	Yes	Yes
Risk free rate	Not applicable	Not applicable	Not applicable	1.84%	3.83%
Expected volatility	Not applicable	Not applicable	Not applicable	29%	21%

Expected volatility is based on historical values. As the exercise price (zero for LTIP 2010, LTIP 2011 and LTIP 2012) is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest. The fair value calculations are also based on estimated early exercise behaviour during the programmes' exercise windows, however not applicable for LTIP 2010, LTIP 2011 and LTIP 2012.

The value of the D-rights/Performance Share II are based on market related conditions and fulfilment of the TSR,

RAROCAR and P/B targets have been taken into consideration when calculating the rights' fair value at grant date.

When calculating the impact from the market conditions it has been assumed that all possible outcomes have equal possibilities. Also the caps in each programme have been taken into consideration when calculating the rights' fair value at grant. The adjustment to fair value is approximately 2–3% of the weighted average share price.

Expenses for equity-settled share-based payment programmes<sup>1</sup>

EURm	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008
Expected expense for the whole programme	–19	–19	–12	–11	–10
Maximum expense for the whole programme	–32	–26	–20	–11	–10
Total expense during 2012	–4	–6	–2	—	—
Total expense during 2011	—	–3	–4	–2	—

1) All amounts excluding social security contribution.

When calculating the expected expense an expected annual employee turnover of 5% has been used in LTIP 2010, LTIP 2011 and LTIP 2012. The expected expense is recognised over the vesting period of 36 months (LTIP 2010, LTIP 2011, LTIP 2012) and 24 months (LTIP 2009 and 2008).

## G7

## Staff costs, cont.

**Cash-settled share-based payment transactions**

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either vesting after three years or vesting in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. The below table only includes deferred amounts indexed with Nordea TSR. Nordea also operates deferrals not being TSR-linked, which are not included in the table below. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage ([www.nordea.com](http://www.nordea.com)).

EURm	2012	2011
Deferred TSR-linked compensation at beginning of the year	10	13
Accrued deferred/retained TSR-linked compensation during the year	11	5
TSR indexation during the year	4	-3
Payments during the year <sup>1</sup>	-4	-4
Translation differences	0	-1
<b>Deferred TSR-linked compensation at end of year<sup>2</sup></b>	<b>21</b>	<b>10</b>

1) There have been no adjustments due to forfeitures in 2012.

2) Of which EUR 9m is available for disposal by the employees in 2013. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year relates to variable compensation earned the previous year.

**Average number of employees**

	Total		Men		Women	
	2012	2011	2012	2011	2012	2011
<b>Full-time equivalents</b>						
Denmark	8,545	8,475	4,329	4,248	4,216	4,227
Finland	7,312	7,785	1,889	1,957	5,423	5,828
Sweden	7,102	7,530	3,148	3,320	3,954	4,210
Norway	3,343	3,536	1,788	1,896	1,555	1,640
Poland	2,416	2,118	913	664	1,503	1,454
Russia	1,520	1,659	525	593	995	1,066
Estonia	475	469	103	76	372	393
Latvia	462	433	137	99	325	334
Luxembourg	423	354	260	336	163	18
Lithuania	365	345	111	91	254	254
United States	101	89	49	46	52	43
United Kingdom	69	71	40	42	29	29
Singapore	65	59	23	23	42	36
Germany	49	39	29	20	20	19
Other countries	27	21	10	9	17	12
<b>Total average</b>	<b>32,274</b>	<b>32,983</b>	<b>13,354</b>	<b>13,420</b>	<b>18,920</b>	<b>19,563</b>
<b>Total number of employees (FTEs), end of period</b>	<b>31,466</b>	<b>33,068</b>				

**Gender distribution**

In the parent company's Board of Directors 67% (62%) were men and 33% (38%) were women. In the Board of Directors of the Nordea Group companies, 84% (84%) were men and 16% (16%) were women. The corresponding numbers for Other executives were 67% (68%) men and 33% (32%) women. Internal Boards consist mainly of management in Nordea.

## G8

### Other expenses

EURm	2012	2011
Information technology	-639	-647
Marketing and representation	-121	-131
Postage, transportation, telephone and office expenses	-224	-232
Rents, premises and real estate	-421	-444
Other <sup>1</sup>	-455	-460
<b>Total</b>	<b>-1,860</b>	<b>-1,914</b>

1) Including fees and remuneration to auditors distributed as follows.

#### Auditors' fee

EURm	2012	2011
<b>KPMG</b>		
Auditing assignments	-7	-5
Audit-related services	-1	-2
Tax advisory services	0	0
Other assignments	-2	-5
<b>Total</b>	<b>-10</b>	<b>-12</b>

## G9

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

EURm	2012	2011
<b>Depreciation/amortisation</b>		
<b>Property and equipment (Note G21)</b>		
Equipment	-110	-110
Buildings	0	-1
<b>Intangible assets (Note G20)</b>		
Computer software	-106	-55
Other intangible assets	-24	-24
<b>Total</b>	<b>-240</b>	<b>-190</b>
<b>Impairment charges/Reversed impairment charges</b>		
<b>Property and equipment (Note G21)</b>		
Equipment	—	—
<b>Intangible assets (Note G20)</b>		
Other intangible assets	-38	-2
<b>Total</b>	<b>-38</b>	<b>-2</b>
<b>Total</b>	<b>-278</b>	<b>-192</b>

## G10

### Net loan losses

EURm	2012	2011
<b>Divided by class</b>		
Loans to credit institutions	-1	2
– of which provisions	-5	-1
– of which write-offs	—	-7
– of which allowances to cover write-offs	—	7
– of which reversals	4	1
– of which recoveries	—	2
Loans to the public	-939	-659
– of which provisions	-1,438	-1,154
– of which write-offs	-643	-800
– of which allowances to cover write-offs	453	625
– of which reversals	611	596
– of which recoveries	78	74
Off-balance sheet items <sup>1</sup>	7	-78
– of which provisions	-43	-148
– of which write-offs	—	-315
– of which allowances to cover write-offs	—	315
– of which reversals	50	70
<b>Total</b>	<b>-933</b>	<b>-735</b>

#### Specification

Changes of allowance accounts on the balance sheet	-821	-636
– of which Loans, individually assessed <sup>2</sup>	-945	-761
– of which Loans, collectively assessed <sup>2</sup>	117	203
– of which Off-balance sheet items, individually assessed <sup>1</sup>	13	-87
– of which Off-balance sheet items, collectively assessed <sup>1</sup>	-6	9
Changes directly recognised in the income statement	-112	-99
– of which realised loan losses, individually assessed	-190	-175
– of which realised recoveries, individually assessed	78	76
<b>Total</b>	<b>-933</b>	<b>-735</b>

1) Included in Note G32 Provisions as "Transfer risk, off-balance" and "Individually assessed, guarantees and other commitments".

2) Included in Note G13 Loans and impairment.

## G11

## Taxes

## Income tax expense

EURm	2012	2011
Current tax <sup>1</sup>	-1,000	-709
Deferred tax	9	-204
<b>Total</b>	<b>-991</b>	<b>-913</b>

1) Of which relating to prior years

-27 18

## Current and deferred tax recognised in Other comprehensive income

Deferred tax assets due to hedge of net investments in foreign operations	45	0
Deferred tax relating to available-for-sale investments	-17	-1
Deferred tax relating to cash flow hedges	50	-43
<b>Total</b>	<b>78</b>	<b>-44</b>

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

EURm	2012	2011
Profit before tax	4,117	3,547
Tax calculated at a tax rate of 26.3%	-1,083	-933
Effect of different tax rates in other countries	29	14
Income from associated undertakings	15	9
Tax-exempt income	59	48
Non-deductible expenses	-39	-69
Adjustments relating to prior years	-27	18
Utilization of non-capitalized tax losses carry-forwards from previous periods	0	0
Change of tax rate <sup>1</sup>	73	2
Not creditable foreign taxes	-18	-2
<b>Tax charge</b>	<b>-991</b>	<b>-913</b>
Average effective tax rate	24%	26%

1) Due to change of corporate tax rate in Sweden from 26.3% to 22.0%.

## Deferred tax

EURm	Deferred tax assets		Deferred tax liabilities	
	2012	2011	2012	2011
<b>Deferred tax related to:</b>				
Tax losses carry-forward	18	16	—	—
Untaxed reserves	—	—	36	1
Loans to the public	19	29	465	483
Shares	—	—	19	5
Derivatives	26	147	19	212
Intangible assets	0	5	80	85
Property and equipment	6	8	0	2
Investment property	—	—	177	176
Retirement benefit assets/obligations	27	60	57	69
Hedge of net investments in foreign operations	97	57	—	14
Liabilities/provisions	93	70	212	194
Netting between deferred tax assets and liabilities	-68	-223	-68	-223
<b>Total</b>	<b>218</b>	<b>169</b>	<b>997</b>	<b>1,018</b>
– of which expected to be settled after more than 1 year	154	96	953	891
<b>EURm</b>			<b>2012</b>	<b>2011</b>
<b>Movements in deferred tax assets/liabilities (net)</b>				
Amount at beginning of year (net)			-849	-607
Deferred tax relating to items recognised in Other comprehensive income			78	-44
Translation differences			-13	6
Acquisitions and others			-4	0
Deferred tax in the income statement			9	-204
<b>Amount at end of year (net)</b>			<b>-779</b>	<b>-849</b>

## G11

## Taxes, cont.

EURm	2012	2011
<b>Current tax assets</b>	<b>78</b>	<b>185</b>
– of which expected to be settled after more than 1 year	9	17
<b>Current tax liabilities</b>	<b>391</b>	<b>154</b>
– of which expected to be settled after more than 1 year	26	36
<b>Unrecognised deferred tax assets</b>		
Unused tax losses carry-forward	53	54
<b>Total</b>	<b>53</b>	<b>54</b>
Expire date 2012	—	1
Expire date 2013	—	0
No expiry date	53	53
<b>Total</b>	<b>53</b>	<b>54</b>

## G12

## Earnings per share

	2012	2011
<b>Earnings:</b>		
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3,119	2,627
<b>Number of shares (in millions):</b>		
Number of shares outstanding at beginning of year	4,047	4,043
Average number of issued C-shares <sup>1</sup>	2	3
Average number of repurchased own C-shares <sup>1</sup>	–2	–3
Average number of own shares in trading portfolio	–23	–16
<b>Basic weighted average number of shares outstanding</b>	<b>4,024</b>	<b>4,027</b>
Adjustment for diluted weighted average number of additional ordinary shares outstanding <sup>1, 2</sup>	2	1
<b>Diluted weighted average number of shares outstanding</b>	<b>4,026</b>	<b>4,028</b>
Basic earnings per share, EUR	0.78	0.65
Diluted earnings per share, EUR	0.78	0.65

1) Relates to the Long Term Incentive Programmes (LTIP).

2) Contingently issuable shares not included, that can potentially dilute basic earnings per share in future periods, exist in the Long Term Incentive Programmes.

## G13

## Loans and impairment

EURm	Central banks and credit institutions		The public <sup>1</sup>		Total	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Loans, not impaired <sup>2</sup>	18,578	51,860	342,190	334,554	360,768	386,414
Impaired loans <sup>2</sup>	24	33	6,881	5,092	6,905	5,125
– of which performing	—	9	4,023	2,937	4,023	2,946
– of which non-performing	24	24	2,858	2,155	2,882	2,179
<b>Loans before allowances</b>	<b>18,602</b>	<b>51,893</b>	<b>349,071</b>	<b>339,646</b>	<b>367,673</b>	<b>391,539</b>
Allowances for individually assessed impaired loans	–24	–26	–2,376	–1,866	–2,400	–1,892
– of which performing	—	—	–1,332	–1,080	–1,332	–1,080
– of which non-performing	–24	–26	–1,044	–786	–1,068	–812
Allowances for collectively assessed impaired loans	–4	–2	–444	–577	–448	–579
<b>Allowances</b>	<b>–28</b>	<b>–28</b>	<b>–2,820</b>	<b>–2,443</b>	<b>–2,848</b>	<b>–2,471</b>
<b>Loans, carrying amount</b>	<b>18,574</b>	<b>51,865</b>	<b>346,251</b>	<b>337,203</b>	<b>364,825</b>	<b>389,068</b>

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G22 Leasing.

2) Comparative figures have been restated to ensure consistency between periods, see Note G1 for more information.

Reconciliation of allowance accounts for impaired loans<sup>1</sup>

EURm	Central banks and credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
<b>Opening balance at 1 Jan 2012</b>	<b>–26</b>	<b>–2</b>	<b>–28</b>	<b>–1,866</b>	<b>–577</b>	<b>–2,443</b>	<b>–1,892</b>	<b>–579</b>	<b>–2,471</b>
Provisions	0	–5	–5	–1,313	–125	–1,438	–1,313	–130	–1,443
Reversals	1	3	4	367	244	611	368	247	615
<b>Changes through the income statement</b>	<b>1</b>	<b>–2</b>	<b>–1</b>	<b>–946</b>	<b>119</b>	<b>–827</b>	<b>–945</b>	<b>117</b>	<b>–828</b>
Allowances used to cover write-offs	—	—	—	453	—	453	453	0	453
Reclassification	0	—	0	–21	21	0	–21	21	0
Translation differences	1	0	1	4	–7	–3	5	–7	–2
<b>Closing balance at 31 Dec 2012</b>	<b>–24</b>	<b>–4</b>	<b>–28</b>	<b>–2,376</b>	<b>–444</b>	<b>–2,820</b>	<b>–2,400</b>	<b>–448</b>	<b>–2,848</b>
<b>Opening balance at 1 Jan 2011</b>	<b>–33</b>	<b>–3</b>	<b>–36</b>	<b>–1,719</b>	<b>–779</b>	<b>–2,498</b>	<b>–1,752</b>	<b>–782</b>	<b>–2,534</b>
Provisions	0	0	0	–1,065	–90	–1,155	–1,065	–90	–1,155
Reversals	0	1	1	304	292	596	304	293	597
<b>Changes through the income statement</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>–761</b>	<b>202</b>	<b>–559</b>	<b>–761</b>	<b>203</b>	<b>–558</b>
Allowances used to cover write-offs	7	—	7	625	—	625	632	—	632
Translation differences	0	0	0	–11	0	–11	–11	0	–11
<b>Closing balance at 31 Dec 2011</b>	<b>–26</b>	<b>–2</b>	<b>–28</b>	<b>–1,866</b>	<b>–577</b>	<b>–2,443</b>	<b>–1,892</b>	<b>–579</b>	<b>–2,471</b>

1) See Note G10 Net loan losses.

## Allowances and provisions

EURm	Central banks and credit institutions		The public		Total	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Allowances for items on the balance sheet	–28	–28	–2,820	–2,443	–2,848	–2,471
Provisions for off balance sheet items	–16	–13	–68	–80	–84	–93
<b>Total allowances and provisions</b>	<b>–44</b>	<b>–41</b>	<b>–2,888</b>	<b>–2,523</b>	<b>–2,932</b>	<b>–2,564</b>

Key ratios<sup>1</sup>

	31 Dec 2012	31 Dec 2011
Impairment rate, gross, basis points <sup>2</sup>	188	131
Impairment rate, net, basis points <sup>2</sup>	123	83
Total allowance rate, basis points	77	63
Allowances in relation to impaired loans, % <sup>2</sup>	35	37
Total allowances in relation to impaired loans, % <sup>2</sup>	41	48
Non-performing loans, not impaired, EURm <sup>2</sup>	614	307

1) For definitions, see Business definitions on page 93.

2) Comparative figures have been restated to ensure consistency between periods, see Note G1 for more information.

## G14

### Interest-bearing securities

EURm	31 Dec 2012	31 Dec 2011
<b>Eligible as collateral with central banks</b>		
Issued by State and sovereigns	9,258	10,894
Issued by Municipalities and other public bodies	2,236	1,316
Issued by other entities	14,885	14,896
<b>Non eligible</b>		
Issued by public bodies	10,711	11,183
Issued by other borrowers	65,813	61,807
<b>Total</b>	<b>102,903</b>	<b>100,096</b>
– of which Financial instruments pledged as collateral (Note G15)	7,964	7,723
<b>Total</b>	<b>94,939</b>	<b>92,373</b>
<b>Listed and unlisted securities incl Financial instruments pledged as collateral</b>		
Listed securities	95,487	90,816
Unlisted securities	7,416	9,280
<b>Total</b>	<b>102,903</b>	<b>100,096</b>

## G15

### Financial instruments pledged as collateral

#### Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2012	31 Dec 2011
Interest-bearing securities	7,964	7,723
Shares	6	650
<b>Total</b>	<b>7,970</b>	<b>8,373</b>

For information on transferred assets and reverse repos, see Note G43.

## G16

### Shares

EURm	31 Dec 2012	31 Dec 2011
Shares	11,983	10,509
Shares taken over for protection of claims	1	4
Fund units, equity related	8,871	5,034
Fund units, interest related	7,279	5,270
<b>Total</b>	<b>28,134</b>	<b>20,817</b>
– of which Financial instruments pledged as collateral (Note G15)	6	650
<b>Total</b>	<b>28,128</b>	<b>20,167</b>
– of which expected to be settled after more than 1 year	19,273	15,894
<b>Listed and unlisted shares incl Financial instruments pledged as collateral</b>		
Listed shares	24,630	15,283
Unlisted shares	3,504	5,534
<b>Total</b>	<b>28,134</b>	<b>20,817</b>

## G17

## Derivatives and Hedge accounting

31 Dec 2012, EURm	Fair value		Total nom amount
	Positive	Negative	
<b>Derivatives held for trading</b>			
<b>Interest rate derivatives</b>			
Interest rate swaps	89,774	84,279	3,707,415
FRAs	21	29	24,998
Futures and forwards	585	559	1,438,612
Options	12,163	12,147	450,396
Other	15	0	1,177
<b>Total</b>	<b>102,558</b>	<b>97,014</b>	<b>5,622,598</b>
<b>Equity derivatives</b>			
Equity swaps	93	107	4,705
Futures and forwards	16	13	395
Options	514	448	12,711
<b>Total</b>	<b>623</b>	<b>568</b>	<b>17,811</b>
<b>Foreign exchange derivatives</b>			
Currency and interest rate swaps	10,593	13,345	792,777
Currency forwards	505	893	91,048
Options	202	212	26,329
Other	0	0	242
<b>Total</b>	<b>11,300</b>	<b>14,450</b>	<b>910,396</b>
<b>Credit derivatives</b>			
Credit Default Swaps (CDS)	637	655	47,052
<b>Total</b>	<b>637</b>	<b>655</b>	<b>47,052</b>
<b>Commodity derivatives</b>			
Swaps	493	433	5,694
Futures and forwards	5	26	599
Options	30	28	1,524
<b>Total</b>	<b>528</b>	<b>487</b>	<b>7,817</b>
<b>Other derivatives</b>			
Swaps	—	8	426
Options	11	6	233
Other	49	14	1,924
<b>Total</b>	<b>60</b>	<b>28</b>	<b>2,583</b>
<b>Total derivatives held for trading</b>	<b>115,706</b>	<b>113,202</b>	<b>6,608,257</b>
<b>Derivatives used for hedge accounting</b>			
<b>Interest rate derivatives</b>			
Interest rate swaps	2,281	594	58,816
Options	0	0	1,042
<b>Total</b>	<b>2,281</b>	<b>594</b>	<b>59,858</b>
<b>Foreign exchange derivatives</b>			
Currency and interest rate swaps	802	407	8,871
<b>Total</b>	<b>802</b>	<b>407</b>	<b>8,871</b>
<b>Total derivatives used for hedge accounting</b>	<b>3,083</b>	<b>1,001</b>	<b>68,729</b>
<b>Total derivatives</b>	<b>118,789</b>	<b>114,203</b>	<b>6,676,986</b>

## G17

## Derivatives and Hedge accounting, cont.

31 Dec 2011, EURm	Fair value		Total nom amount
	Positive	Negative	
<b>Derivatives held for trading</b>			
<b>Interest rate derivatives</b>			
Interest rate swaps	136,856	133,660	3,655,420
FRAs	76	92	79,776
Futures and forwards	1,084	873	1,451,249
Options	11,320	11,915	515,269
Other	0	—	15
<b>Total</b>	<b>149,336</b>	<b>146,540</b>	<b>5,701,729</b>
<b>Equity derivatives</b>			
Equity swaps	113	16	1,780
Futures and forwards	55	32	544
Options	470	640	14,820
<b>Total</b>	<b>638</b>	<b>688</b>	<b>17,144</b>
<b>Foreign exchange derivatives</b>			
Currency and interest rate swaps	15,140	15,466	859,021
Currency forwards	1,086	814	61,414
Options	301	255	33,758
<b>Total</b>	<b>16,527</b>	<b>16,535</b>	<b>954,193</b>
<b>Credit derivatives</b>			
Credit Default Swaps (CDS)	1,483	1,493	61,889
<b>Total</b>	<b>1,483</b>	<b>1,493</b>	<b>61,889</b>
<b>Commodity derivatives</b>			
Swaps	1,228	1,152	13,182
Futures and forwards	79	76	1,137
Options	69	68	2,228
<b>Total</b>	<b>1,376</b>	<b>1,296</b>	<b>16,547</b>
<b>Other derivatives</b>			
Swaps	38	201	1,247
Futures and forwards	0	0	0
Options	3	3	98
Other	1	7	825
<b>Total</b>	<b>42</b>	<b>211</b>	<b>2,170</b>
<b>Total derivatives held for trading</b>	<b>169,402</b>	<b>166,763</b>	<b>6,753,672</b>
<b>Derivatives used for hedge accounting</b>			
<b>Interest rate derivatives</b>			
Interest rate swaps	1,941	492	59,149
Options	0	1	954
<b>Total</b>	<b>1,941</b>	<b>493</b>	<b>60,103</b>
<b>Foreign exchange derivatives</b>			
Currency and interest rate swaps	600	134	10,505
<b>Total</b>	<b>600</b>	<b>134</b>	<b>10,505</b>
<b>Total derivatives used for hedge accounting</b>	<b>2,541</b>	<b>627</b>	<b>70,608</b>
<b>Total derivatives</b>	<b>171,943</b>	<b>167,390</b>	<b>6,824,280</b>

## G18

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

EURm	31 Dec	31 Dec
Assets	2012	2011
Carrying amount at beginning of year	-215	1,127
Changes during the year		
Revaluation of hedged items	-506	-1,343
Translation differences	10	1
<b>Carrying amount at end of year</b>	<b>-711</b>	<b>-215</b>
<b>Liabilities</b>		
Carrying amount at beginning of year	1,274	898
Changes during the year		
Revaluation of hedged items	625	366
Translation differences	41	10
<b>Carrying amount at end of year</b>	<b>1,940</b>	<b>1,274</b>

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset respectively a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

## G19

## Investments in associated undertakings

EURm	31 Dec 2012	31 Dec 2011
Acquisition value at beginning of year	603	564
Acquisitions during the year	6	16
Sales during the year	-4	-4
Share in earnings <sup>1</sup>	67	60
Dividend received	-42	-35
Reclassifications	0	1
Translation differences	-34	1
<b>Acquisition value at end of year</b>	<b>596</b>	<b>603</b>
Accumulated impairment charges at beginning of year	-12	-10
Accumulated impairment charges on sales during the year	1	—
Reversed impairment charges during the year	—	0
Impairment charges during the year	—	-1
Reclassifications	0	-1
Translation differences	0	0
<b>Accumulated impairment charges at end of year</b>	<b>-11</b>	<b>-12</b>
<b>Total</b>	<b>585</b>	<b>591</b>
– of which, listed shares	—	—

1) Share in earnings

EURm	2012	2011
Profit from companies accounted for under the equity method	93	42
Portfolio hedge, Eksportfinans ASA	-36	6
Associated undertakings in Life, reported as Net result from items at fair value	10	12
<b>Share in earnings</b>	<b>67</b>	<b>60</b>

The total amount is expected to be settled after more than 1 year.

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

EURm	31 Dec 2012	31 Dec 2011
Total assets	6,975	8,091
Total liabilities	5,734	6,664
Operating income	455	194
Operating profit	98	84

Nordea has issued contingent liabilities of EUR 731m (EUR 940m) on behalf of associated undertakings.

31 Dec 2012	Registration number	Domicile	Carrying amount 2012, EURm	Carrying amount 2011, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	129	145	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	193	190	49
Luottokunta	0201646-0	Helsinki	46	49	27
LR Realkredit A/S	26045304	Copenhagen	13	4	39
Realia Holding Oy	2106796-8	Helsinki	20	20	25
Samajet Nymøllevej 59–91	24247961	Ballerup	20	20	25
E-nettet Holding A/S	28308019	Copenhagen	2	1	20
Hovedbanens Forretningscenter K/S	16301671	Ballerup	14	14	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	9	9	33
Axel IKU Invest A/S	24981800	Copenhagen	1	1	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	8	33
KIFU-AX II A/S	25893662	Copenhagen	3	3	25
Bankernas KontantSERVICE A/S	33077599	Copenhagen	3	3	20
Bluegarden A/S (former Multidata Holding A/S)	27226027	Ballerup	0	9	29
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
Nets Holding A/S	27225993	Ballerup	99	91	21
NorVega SGR S.p.A.	1060050156	Milano	—	3	40
Upplysningscentralen UC AB	556137-5113	Stockholm	3	0	26
Bankomat AB (former BAB Bankernas Automatbolag AB)	556817-9716	Stockholm	6	3	20
Other			10	12	
<b>Total</b>			<b>585</b>	<b>591</b>	

## G20

## Intangible assets

EURm	31 Dec 2012	31 Dec 2011
<b>Goodwill allocated to cash generating units<sup>1</sup></b>		
Retail Banking Norway	958	909
Retail Banking Denmark	590	592
Retail Banking Sweden	237	230
Retail Banking Poland	66	60
Life & Pensions	310	306
Banking Russia	277	268
Shipping, Offshore & Oil services	218	210
<b>Goodwill, total</b>	<b>2,656</b>	<b>2,575</b>
<b>Other intangible assets</b>		
Computer software	694	651
Other intangible assets	75	95
<b>Other intangible assets, total</b>	<b>769</b>	<b>746</b>
<b>Intangible assets, total</b>	<b>3,425</b>	<b>3,321</b>
1) Excluding goodwill in associated undertakings.		
<b>Goodwill</b>		
Acquisition value at beginning of year	2,576	2,586
Translation differences	81	-10
<b>Acquisition value at end of year</b>	<b>2,657</b>	<b>2,576</b>
Accumulated impairment charges at beginning of year	-1	-1
Translation differences	0	0
<b>Accumulated impairment charges at end of year</b>	<b>-1</b>	<b>-1</b>
<b>Total</b>	<b>2,656</b>	<b>2,575</b>
<b>Computer software</b>		
Acquisition value at beginning of year	854	660
Acquisitions during the year	171	191
Sales/disposals during the year	-1	-1
Reclassifications	0	0
Translation differences	17	4
<b>Acquisition value at end of year</b>	<b>1,041</b>	<b>854</b>
Accumulated amortisation at beginning of year	-195	-140
Amortisation according to plan for the year	-106	-55
Accumulated amortisation on sales/disposals during the year	0	0
Reclassifications	0	1
Translation differences	-4	-1
<b>Accumulated amortisation at end of year</b>	<b>-305</b>	<b>-195</b>
Accumulated impairment charges at beginning of year	-8	-5
Impairment charges during the year	-38	-2
Reclassifications	4	—
Translation differences	0	-1
<b>Accumulated impairment charges at end of year</b>	<b>-42</b>	<b>-8</b>
<b>Total</b>	<b>694</b>	<b>651</b>

## G20

## Intangible assets, cont.

EURm	31 Dec 2012	31 Dec 2011
<b>Other intangible assets</b>		
Acquisition value at beginning of year	216	221
Acquisitions during the year	6	1
Sales/disposals during the year	-11	-1
Reclassifications	-2	0
Translation differences	6	-5
<b>Acquisition value at end of year</b>	<b>215</b>	<b>216</b>
Accumulated amortisation at beginning of year	-117	-98
Amortisation according to plan for the year	-24	-24
Accumulated amortisation on sales/disposals during the year	9	1
Reclassifications	1	1
Translation differences	-5	3
<b>Accumulated amortisation at end of year</b>	<b>-136</b>	<b>-117</b>
Accumulated impairment charges at beginning of year	-4	-4
<b>Accumulated impairment charges at end of year</b>	<b>-4</b>	<b>-4</b>
<b>Total</b>	<b>75</b>	<b>95</b>

The total amount is expected to be recovered after more than 1 year.

#### Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flow is expected to continue indefinitely.

Cash flows in the near future (between 3–5 years) are based on financial forecasts, derived from forecasted margins, volumes, sales and cost development. These input variables are based on historical data adjusted to reflect Nordea's assumptions about the future. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. For impairment testing, a growth rate of 2.5% (4.0%) has been used for all Nordic cash generating units. For cash generating units in Poland and Russia, 3.0% (4.0%) and 4.5% (4.0%) have been used. Growth rates

are based on historical data, updated to reflect the current situation.

Cash flows include normalised loan losses.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The post-tax discount rate used for the impairment test 2012 is 8.5% (9.0%), which equals a pre-tax rate of 11.3% (11.9%). For operations in Poland, an additional risk premium of 150 basis points has been applied and for Russia an additional risk premium of 225 basis points has been applied.

The impairment tests conducted in 2012 did not indicate any need for goodwill impairment. See Note G1 section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage points are considered to be reasonably possible changes in key assumptions. Such a change would not result in an impairment in any of the cash generating units.

## G21

## Property and equipment

EURm	31 Dec 2012	31 Dec 2011
Property and equipment	474	469
– of which buildings for own use	73	72
<b>Total</b>	<b>474</b>	<b>469</b>
<b>Equipment</b>		
Acquisition value at beginning of year	960	891
Acquisitions during the year	139	154
Sales/disposals during the year	–59	–70
Reclassifications	–47	–16
Translation differences	29	1
<b>Acquisition value at end of year</b>	<b>1,022</b>	<b>960</b>
Accumulated depreciation at beginning of year	–551	–497
Accumulated depreciation on sales/disposals during the year	43	43
Reclassifications	13	18
Depreciations according to plan for the year	–110	–110
Translation differences	–14	–5
<b>Accumulated depreciation at end of year</b>	<b>–619</b>	<b>–551</b>
Accumulated impairment charges at beginning of year	–12	–10
Reclassification	10	–2
Translation differences	0	0
<b>Accumulated impairment charges at end of year</b>	<b>–2</b>	<b>–12</b>
<b>Total</b>	<b>401</b>	<b>397</b>
<b>Land and buildings</b>		
Acquisition value at beginning of year	81	79
Acquisitions during the year	1	3
Sales/disposals during the year	–1	0
Reclassifications	–1	0
Translation differences	2	–1
<b>Acquisition value at end of year</b>	<b>82</b>	<b>81</b>
Accumulated depreciation at beginning of year	–9	–9
Accumulated depreciation on sales/disposals during the year	0	0
Depreciation according to plan for the year	0	–1
Translation differences	0	1
<b>Accumulated depreciation at end of year</b>	<b>–9</b>	<b>–9</b>
<b>Total</b>	<b>73</b>	<b>72</b>

The total amount is expected to be settled after more than 1 year.

## G22

## Leasing

**Nordea as a lessor****Finance leases**

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G13) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

EURm	31 Dec 2012	31 Dec 2011
Gross investments	8,086	7,682
Less unearned finance income	-473	-648
<b>Net investments in finance leases</b>	<b>7,613</b>	<b>7,034</b>
Less unguaranteed residual values accruing to the benefit of the lessor	-81	-29
<b>Present value of future minimum lease payments receivable</b>	<b>7,532</b>	<b>7,005</b>
Accumulated allowance for uncollectible minimum lease payments receivable	5	7

As of 31 December 2012 the gross investment and the net investment by remaining maturity was distributed as follows:

EURm	31 Dec, 2012	
	Gross Investment	Net Investment
2013	1,740	1,668
2014	1,767	1,693
2015	1,738	1,688
2016	893	851
2017	706	648
Later years	1,242	1,065
<b>Total</b>	<b>8,086</b>	<b>7,613</b>

**Operating leases**

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

Carrying amount of leased assets, EURm	31 Dec 2012	31 Dec 2011
Acquisition value	81	102
Accumulated depreciations	-36	-41
Accumulated impairment charges	0	—
<b>Carrying amount at end of year</b>	<b>45</b>	<b>61</b>
– of which repossessed leased property, carrying amount	—	—

**Carrying amount distributed on groups of assets, EURm**

Equipment	45	61
<b>Carrying amount at end of year</b>	<b>45</b>	<b>61</b>

Depreciation for 2012 amounted to EUR 15m (EUR 18m).

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

EURm	31 Dec 2012
2013	13
2014	7
2015	5
2016	3
2017	2
Later years	0
<b>Total</b>	<b>30</b>

**Nordea as a lessee****Finance leases**

Nordea has only to a minor extent entered into finance lease agreements. The carrying amount of assets subject to finance leases amounts to EUR 30m (EUR 28m).

**Operating leases**

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

Leasing expenses during the year, EURm	31 Dec 2012	31 Dec 2011
Leasing expenses during the year	-268	-295
– of which minimum lease payments	-261	-288
– of which contingent rents	-7	-7
Leasing income during the year regarding sublease payments	7	7

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

EURm	31 Dec 2012
2013	211
2014	147
2015	104
2016	75
2017	69
Later years	181
<b>Total</b>	<b>787</b>

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 23m.

## G23 Investment property

### Movement on the balance sheet

EURm	31 Dec 2012	31 Dec 2011
Carrying amount at beginning of year	3,644	3,535
Acquisitions during the year	116	129
Sales/disposals during the year	-181	-48
Net gains or losses from fair value adjustments	-48	-17
Transfers/reclassifications during the year	-3	32
Translation differences	-120	13
<b>Carrying amount at end of year</b>	<b>3,408</b>	<b>3,644</b>
– of which expected to be settled after more than 1 year	3,378	3,591

### Amounts recognised in the income statement<sup>1</sup>

EURm	2012	2011
Rental income	244	251
Direct operating expenses that generate rental income	-59	-68
Direct operating expenses that did not generate rental income	-2	-11

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

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment property.

Approximately 80% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 20% of the investment properties, appraisals were obtained from independent external valuers.

### Geographical information

EURm	Carrying amount
Denmark	1,626
Norway	962
Finland	558
Sweden	78
Other	184
<b>Total</b>	<b>3,408</b>

### Yield requirements, average

	Denmark	Norway	Finland	Sweden
Department stores, multistorey, car parks and hotels	7.6%	6.0%	5.8%	6.8%
Office buildings	6.2%	6.5%	5.9%	—
Apartment buildings	5.7%	6.0%	4.5%	4.3%
Other	—	6.5%	7.3%	—

## G24 Other assets

EURm	31 Dec 2012	31 Dec 2011
Claims on securities settlement proceeds	6,117	11,587
Reinsurance recoverables	4	4
Cash/margin receivables	7,810	6,273
Other	2,441	1,561
<b>Total</b>	<b>16,372</b>	<b>19,425</b>
– of which expected to be settled after more than 1 year	124	6

## G25 Prepaid expenses and accrued income

EURm	31 Dec 2012	31 Dec 2011
Accrued interest income	1,302	1,552
Other accrued income	451	374
Prepaid expenses	806	777
<b>Total</b>	<b>2,559</b>	<b>2,703</b>
– of which expected to be settled after more than 1 year	542	541

## G26 Deposits by credit institutions

EURm	31 Dec 2012	31 Dec 2011
Central banks	8,699	17,161
Other banks	30,647	34,515
Other credit institutions	16,080	3,640
<b>Total</b>	<b>55,426</b>	<b>55,316</b>

## G27 Deposits and borrowings from the public

EURm	31 Dec 2012	31 Dec 2011
Deposits from the public	182,061	174,609
Borrowings from the public	18,617	15,483
<b>Total</b>	<b>200,678</b>	<b>190,092</b>

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included. Portfolio schemes in Nordea Bank Danmark A/S of EUR 3,891m (EUR 3,932m) are also included in Deposits.

# G28

## Liabilities to policyholders

EURm	31 Dec 2012	31 Dec 2011
Traditional life insurance provisions	23,399	23,572
– of which guaranteed provisions	23,266	23,450
– of which non-guaranteed provisions	133	122
Unit-linked insurance provisions	7,169	4,899
– of which guaranteed provisions	285	1,061
– of which non-guaranteed provisions	6,884	3,838
Insurance claims provision	463	428
Provisions, Health & personal accident	259	277
<b>Total insurance contracts</b>	<b>31,290</b>	<b>29,176</b>
Investment contracts	12,106	10,226
– of which guaranteed provisions	3,786	3,319
– of which non-guaranteed provisions	8,320	6,907
Collective bonus potential	1,924	1,313
<b>Total</b>	<b>45,320</b>	<b>40,715</b>

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measure and recognises insurance contracts using local accounting policies.

	Traditional life insurance provisions	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & per- sonal accident	Investment contracts provisions	Collective bonus potentials	Total
<b>31 Dec 2012, EURm</b>							
<b>Provisions/ bonus potentials, beginning of year</b>	<b>23,572</b>	<b>4,899</b>	<b>428</b>	<b>277</b>	<b>10,226</b>	<b>1,313</b>	<b>40,715</b>
Gross premiums written	1,833	1,112	—	—	2,582	—	5,527
Transfers	-1,055	1,135	—	—	-166	—	-86
Addition of interest/Investment return	573	580	—	—	1,157	—	2,310
Claims and benefits	-2,373	-513	30	-34	-1,744	—	-4,634
Expense loading including addition of expense bonus	-82	-47	—	—	-85	—	-214
Change in provisions/bonus potential	—	—	—	13	—	584	597
Other	711	-16	—	—	-100	4	599
Translation differences	220	19	5	3	236	23	506
<b>Provisions/ bonus potentials, end of year</b>	<b>23,399</b>	<b>7,169</b>	<b>463</b>	<b>259</b>	<b>12,106</b>	<b>1,924</b>	<b>45,320</b>

Provision relating to bonus schemes/  
discretionary participation feature:

98%

25%

	Traditional life insurance provisions	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & per- sonal accident	Investment contracts provisions	Collective bonus potentials	Total
<b>31 Dec 2011, EURm</b>							
<b>Provisions/ bonus potentials, beginning of year</b>	<b>21,819</b>	<b>5,202</b>	<b>434</b>	<b>181</b>	<b>9,339</b>	<b>1,791</b>	<b>38,766</b>
Gross premiums written	2,153	781	—	—	2,626	—	5,560
Transfers	-177	126	—	—	-19	—	-70
Addition of interest/Investment return	702	-230	—	—	-355	—	117
Claims and benefits	-2,160	-343	-5	81	-1,269	—	-3,696
Expense loading including addition of expense bonus	-110	-40	—	—	-71	—	-221
Change in provisions/bonus potential	-92	—	—	14	—	-484	-562
Other	1,375	-591	—	—	—	—	784
Translation differences	62	-6	-1	1	-25	6	37
<b>Provisions/ bonus potentials, end of year</b>	<b>23,572</b>	<b>4,899</b>	<b>428</b>	<b>277</b>	<b>10,226</b>	<b>1,313</b>	<b>40,715</b>

Provision relating to bonus schemes/  
discretionary participation feature:

98%

26%

## G28

## Liabilities to policyholders, cont.

## Insurance risks

Insurance risk is described in the Risk, Liquidity and Capital management section of the Board of Directors' Report. Additional quantitative information is found below.

## Life insurance risk and market risks in the Life insurance operations

Sensitivites EURm	31 Dec 2012		31 Dec 2011	
	Effect on policyholders	Effect on Nordea's own account	Effect on policyholders	Effect on Nordea's own account
Mortality – increased living with 1 year	-149.3	-130.5	-148.1	-92.1
Mortality – decreased living with 1 year	270.9	9.4	226.9	18.3
Disability – 10% increase	-24.2	-14.1	-33.7	-6.5
Disability – 10% decrease	35.8	0.1	33.6	6.5
50 bp increase in interest rates	-486.1	4.0	-207.5	83.3
50 bp decrease in interest rates	369.6	-4.4	200.4	-97.2
12% decrease in all shareprices	-844.8	-9.1	-712.8	-81.7
8% decrease in property value	-192.5	-30.8	-194.4	-46.3
8% loss on counterparties	-67.1	-0.2	-39.0	-0.2

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

31 Dec 2012, EURm	non	0 pct.	0 to 3 pct.	3 to 5 pct.	Over 5 pct.	Total liabilities
Technical provision	15,336	4,081	13,186	9,568	503	42,674

31 Dec 2011, EURm	non	0 pct.	0 to 3 pct.	3 to 5 pct.	Over 5 pct.	Total liabilities
Technical provision	10,867	3,647	13,627	10,380	176	38,697

## Risk profiles on insurance

Product	Risk types	Material effect
Traditional	– Mortality	Yes
	– Disability	Yes
	– Return guaranties	Yes
Unit-Link	– Mortality	Yes
	– Disability	Yes
	– Return guaranties	No
Health and personal accident	– Mortality	No
	– Disability	Yes
	– Return guaranties	No
Financial contract	– Mortality	No
	– Disability	No
	– Return guaranties	No

## G29

## Debt securities in issue

EURm	31 Dec 2012	31 Dec 2011
Certificates of deposit	18,627	35,459
Commercial papers	38,524	31,381
Bond loans	127,081	112,954
Other	108	156
<b>Total</b>	<b>184,340</b>	<b>179,950</b>

## G30

## Other liabilities

EURm	31 Dec 2012	31 Dec 2011
Liabilities on securities settlement proceeds	16,457	14,355
Sold, not held, securities	6,136	13,539
Accounts payable	225	230
Cash/margin payables	5,787	4,374
Other	4,867	10,870
<b>Total</b>	<b>33,472</b>	<b>43,368</b>
– of which expected to be settled after more than 1 year	34	164

## G31

## Accrued expenses and prepaid income

EURm	31 Dec 2012	31 Dec 2011
Accrued interest	2,185	2,113
Other accrued expenses	1,330	1,027
Prepaid income	388	356
<b>Total</b>	<b>3,903</b>	<b>3,496</b>
– of which expected to be settled after more than 1 year	25	25

## G32

## Provisions

EURm	31 Dec 2012	31 Dec 2011
Reserve for restructuring costs	109	152
Transfer risk, off-balance	19	13
Individually assessed, guarantees and other commitments	65	80
Tax	132	112
Other	64	126
<b>Total</b>	<b>389</b>	<b>483</b>

EURm	Restructuring	Transfer risk	Off-balance sheet	Tax	Other	Total
At beginning of year	152	13	80	112	126	483
New provisions made	51	8	28	16	6	109
Provisions utilised	–83	—	–19	–1	–1	–104
Reversals	–15	–2	–26	0	–15	–58
Reclassifications	–9	—	—	—	–56	–65
Discount effect	10	—	—	—	0	10
Translation differences	3	0	2	5	4	14
<b>At end of year</b>	<b>109</b>	<b>19</b>	<b>65</b>	<b>132</b>	<b>64</b>	<b>389</b>
– of which expected to be settled after more than 1 year	25	19	54	1	49	148

Provisions for restructuring costs amounts to EUR 109m and covers termination benefit (EUR 99m) and other provisions mainly related to redundant premises (EUR 10m). The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this Nordea plans to reduce the number of employees, partly through close down of branches. The majority of the provision is expected to be used during 2013. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed during 2013.

Provision for Transfer risk of EUR 19m is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note G13. Provision for transfer risk is depending on the volume of business with different countries.

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

Nordea has an on-going tax litigation related to the sales gain in respect of the divestment of Nordea's owner occupied

properties in Sweden, which has been provided for with EUR 131m. Nordea is of the opinion that all tax rules and regulations have been complied with and is contesting the claim in court. The court procedures are expected to be settled during 2013.

Other provisions refers to the following provisions: Provision for premiums in Defined Contribution Plans EUR 34m (EUR 11m expected to be settled 2013), provision for legal disputes EUR 10m (total amount expected to be settled after 2013) and other provisions amounting to EUR 20m (EUR 4m expected to be settled 2013). The provision related to Defined Contribution Plans is expected to be settled over the following 5–10 years.

## G33

## Retirement benefit obligations

EURm	31 Dec 2012	31 Dec 2011
Defined benefit plans, net	47	102
<b>Total</b>	<b>47</b>	<b>102</b>

Nordea has pension obligations from defined benefit plans (DBP) in all Nordic countries with the predominant share in Sweden, Norway and Finland. The plans in Finland, and Norway as from 2011, are closed to new employees and pensions for new employees are instead based on defined contribution plan (DCP) arrangements as is also the case in Denmark. DCPs are not reflected on the balance sheet, except when earned pensions rights have not yet been paid for. Nordea also contributes to public pension plans.

IAS 19 secures that the market based value of pension obligations net of plan assets backing these obligations is reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

#### Multiemployer plan

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer DBP plan that cannot be calculated as DBP by year end 2012, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a DCP in accordance with IAS 19. Information on the funded status in the plan is not available. The premium rate to Fellesordningen is 1.75% of the salary basis in 2012. The rate is expected to increase in the future.

#### IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on the actuarial assumptions fixed for each of the Group's pension plans.

Assumptions <sup>1</sup>	Swe	Nor	Fin	Den
<b>2012</b>				
Discount rate	3.5%	4.0% <sup>2</sup>	3.5%	3.5%
Salary increase	2.5%	3.0%	3.0%	2.5%
Inflation	1.5%	2.0%	2.0%	2.0%
Expected return on assets before taxes	4.5%	5.0%	4.5%	4.5%
<b>2011</b>				
Discount rate	3.5%	3.0%	4.5%	3.5%
Salary increase	3.0%	3.0%	3.0%	3.5%
Inflation	2.0%	2.0%	2.0%	2.0%
Expected return on assets before taxes	4.5%	4.0%	5.5%	4.5%

1) The assumptions disclosed for 2012 have an impact on the liability calculation by year-end 2012, while the assumptions disclosed for 2011 are used for calculating the pension expense in 2012.

2) As further described in Note G1, section 22, the discount rate in Norway is as from 2012 determined with reference to covered bonds. If the government bond yield was used the discount rate would be approximately 1 percentage point lower. For effects from this change see the sensitivity analysis described below.

The expected return on assets is based on long term expectations for return on the different asset classes. On bonds, this is linked to the discount rate while equities and real estate have an added risk premium.

The discount rate has the most significant impact on the obligation and pension cost. If the discount rate is reduced the pension obligation will increase and vice versa. A one percentage point increase in the discount rate would lead to a decrease in pension obligation of 12% and in service cost of 18%. A one percentage point decrease in the discount rate would lead to an increase in pension obligation of 16% and in service cost of 24%.

#### Asset composition

The combined return on assets in 2012 was 8.7% (3.5%) driven by the fact that all assets performed well in 2012 with credit bonds and equities contributing strongly. At the end of the year the equity exposure in pension funds/foundations represented 23% (17%) of total assets.

## G33

## Retirement benefit obligations, cont.

Asset composition in funded schemes	Swe 2012	Nor 2012	Fin 2012	Den 2012	Total 2012	Total 2011
Equity	20%	21%	28%	10%	23%	17%
Bonds	75%	60%	60%	69%	67%	74%
Real estate	—	15%	11%	—	6%	7%
– of which Nordea real estate	—	—	3%	—	1%	1%
Other plan assets	5%	4%	1%	21%	4%	2%

## Amounts recognised on the balance sheet

EURm	Swe 2012	Nor 2012	Fin 2012	Den 2012	Total 2012	Total 2011
Pension Benefit Obligation (PBO)	1,477	935	894	117	3,423	3,484
Plan assets	1,404	673	916	132	3,125	2,848
<b>Total surplus/deficit (–)</b>	<b>–73</b>	<b>–262</b>	<b>22</b>	<b>15</b>	<b>–298</b>	<b>–636</b>
– of which unrecognised actuarial gains/losses (–)	–77	–73	–90	–11	–251	–534
<b>Of which recognised on the balance sheet</b>	<b>4</b>	<b>–189</b>	<b>112</b>	<b>26</b>	<b>–47</b>	<b>–102</b>
– of which retirement benefit assets	125	10	137	29	301	223
– of which retirement benefit obligations	121	199	25	3	348	325
– of which related to unfunded plans (PBO)	128	192	25	2	347	368

## Overview of surplus or deficit in the plans

EURm	Total 2012	Total 2011	Total 2010	Total 2009	Total 2008
PBO	3,423	3,484	3,305	3,087	2,830
Plan Assets	3,125	2,848	2,766	2,397	2,099
<b>Surplus/deficit (–)</b>	<b>–298</b>	<b>–636</b>	<b>–539</b>	<b>–690</b>	<b>–731</b>

## Changes in the PBO

EURm	Swe 2012	Nor 2012	Fin 2012	Den 2012	Total 2012	Total 2011
PBO at 1 Jan	1,574	1,005	774	131	3,484	3,305
Service cost	36	25	3	0	64	63
Interest cost	56	30	34	4	124	131
Pensions paid	–73	–42	–42	–8	–165	–166
Curtailements and settlements	—	–4	—	—	–4	–16
Past service cost	–30	–2	—	—	–32	31
Actuarial gains (–)/losses	–133	–136	122	–10	–157	123
Translation differences	62	55	3	0	120	18
Change in provision for SWT/SSC <sup>1</sup>	–15	4	—	—	–11	–5
<b>PBO at 31 Dec</b>	<b>1,477</b>	<b>935</b>	<b>894</b>	<b>117</b>	<b>3,423</b>	<b>3,484</b>

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway, calculated on recognised amounts on the balance sheet.

## Changes in the fair value of plan assets

EURm	Swe 2012	Nor 2012	Fin 2012	Den 2012	Total 2012	Total 2011
Assets at 1 Jan	1,249	633	837	129	2,848	2,766
Expected return on assets	53	27	44	4	128	134
Pensions paid	—	–22	–42	–8	–72	–97
Curtailements and settlements	—	–4	—	—	–4	–10
Contributions	1	8	9	—	18	79
Actuarial gains/losses (–)	53	–4	64	7	120	–38
Translation differences	48	35	4	—	87	14
<b>Plan assets at 31 Dec</b>	<b>1,404</b>	<b>673</b>	<b>916</b>	<b>132</b>	<b>3,125</b>	<b>2,848</b>
<b>Actual return on plan assets</b>	<b>106</b>	<b>23</b>	<b>108</b>	<b>11</b>	<b>248</b>	<b>96</b>

## G33

## Retirement benefit obligations, cont.

## Overview of actuarial gains/losses

EURm	Total 2012	Total 2011	Total 2010	Total 2009	Total 2008
Effects of changes in actuarial assumptions	187 <sup>1</sup>	-130	-44	51	-337
Experience adjustments	90	-31	85	84	-268
– of which on plan assets	120	-38	71	73	-225
– of which on plan liabilities	-30	7	14	11	-43
<b>Actuarial gains/losses</b>	<b>277</b>	<b>-161</b>	<b>41</b>	<b>135</b>	<b>-605</b>

1) Main impact from changed assumptions on discount rate in Norway and inflation in Sweden.

## Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 66m (EUR 124m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7).

Recognised net defined benefit cost, EURm	Swe 2012	Nor 2012	Fin 2012	Den 2012	Total 2012	Total 2011
Service cost	36	25	3	0	64	63
Interest cost	56	30	34	4	124	131
Expected return on assets	-53	-27	-44	-4	-128	-134
Curtailements and settlements	—	0	—	—	0	-4 <sup>1</sup>
Recognised past service cost <sup>2</sup>	-25	-2	—	—	-27	31
Recognised actuarial gains (-)/losses	12	11	0	2	25	17
SWT/SSC <sup>3</sup>	3	5	—	—	8	20
<b>Pension cost on defined benefit plans</b>	<b>29</b>	<b>42</b>	<b>-7</b>	<b>2</b>	<b>66</b>	<b>124</b>

1) Recognised actuarial losses of EUR 2m related to the curtailment.

2) In 2012 the recognised past service cost is mainly due to a change in the early retirement option in the Swedish collective pension agreement and it includes recognised actuarial losses of EUR 5m. In 2011 EUR 30m related to New Normal.

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

The pension cost is lower than expected at the beginning of the year, mainly due to the change in the early retirement option in the Swedish collective pension agreement (negative past service cost). Compared with the pension cost 2012, excluding the negative past service cost, the pension cost from defined benefit plans is expected to decrease in 2013, mainly as a consequence of the change of actuarial assumptions at the end of 2012. The amended IAS 19, with effective date 1 January 2013, will not have any significant impact on the pension expense 2013, compared with the expense disclosed in this annual report. Actuarial gains/losses will be recognised directly in other comprehensive income instead of being amortised in the income statement. This positive effect is however largely offset by the fact that the return on plan

assets will be recognised using the discount rate instead of an expected return.

The group expects to contribute EUR 48m to its defined benefit plans in 2013.

## Key management personnel

The Group's total pension obligations relating to key management personnel amounted to EUR 36m (EUR 35m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Service cost, Past service cost and Curtailments and settlements as defined in IAS 19) relating to key management personnel in 2012 were EUR 2m (EUR 3m). Complete information concerning key management personnel is disclosed in Note G7.

## G34

## Subordinated liabilities

EURm	31 Dec 2012	31 Dec 2011
Dated subordinated debenture loans	5,160	3,818
Undated subordinated debenture loans	666	658
Hybrid capital loans	1,971	2,027
<b>Total</b>	<b>7,797</b>	<b>6,503</b>

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

## G35

## Assets pledged as security for own liabilities

EURm	31 Dec 2012	31 Dec 2011
<b>Assets pledged for own liabilities</b>		
Lease agreements <sup>1</sup>	77	78
Securities etc <sup>2</sup>	33,541	23,239
Loans to the public	110,964	103,451
Other pledged assets	20,320	20,126
<b>Total</b>	<b>164,902</b>	<b>146,894</b>

**The above pledges pertain to the following liabilities**

Deposits by credit institutions	8,416	10,263
Deposits and borrowings from the public	5,377	2,379
Derivatives	233	639
Debt securities in issue	86,653	78,208
Other liabilities and commitments	37,752	36,970
<b>Total</b>	<b>138,431</b>	<b>128,459</b>

1) The agreements are financial lease agreements where Nordea is the lessor. The associated assets are Loans to the public.

2) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43, Transferred assets and obtained collaterals.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other relates to certificate of deposits pledged by Nordea to comply with authority requirements and assets funded by finance lease agreements.

## G36

## Other assets pledged

EURm	31 Dec 2012	31 Dec 2011
<b>Other assets pledged<sup>1</sup></b>		
Lease agreements	0	0
Securities etc	4,324	6,063
Other assets pledged	43	27
<b>Total</b>	<b>4,367</b>	<b>6,090</b>

1) Collaterals pledged on behalf of other items other than the company's own liabilities, eg, on behalf of a third party or on behalf of the company's own contingent liabilities are accounted for under this item.

Securities etc. includes interest-bearing securities pledged as security for payment settlements within the Central bank of Sweden. The terms and conditions require day to day security and relate to liquidity intraday/over night. Other pledged assets relate to pledged deposits.

## G37

## Contingent liabilities

EURm	31 Dec 2012	31 Dec 2011
<b>Guarantees</b>		
– Loan guarantees	4,016	4,897
– Other guarantees	14,828	16,730
Documentary credits	2,231	2,626
Other contingent liabilities	82	215
<b>Total</b>	<b>21,157</b>	<b>24,468</b>

In the normal business of Nordea, the bank issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the bank's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7.

**Legal proceedings**

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

## G38

## Commitments

EURm	31 Dec 2012	31 Dec 2011
Future payment obligations	545	996
Credit commitments <sup>1</sup>	84,914	85,319
Other commitments	749	655
<b>Total</b>	<b>86,208</b>	<b>86,970</b>

1) Including unutilised portion of approved overdraft facilities of EUR 45,796m (EUR 47,607m).

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2012 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2012. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about derivatives, see Note G17 and about reverse repos, see Note G43.

## G39

## Insurance activities

## Operating profit, insurance

EURm	2012	2011
<b>Operating income<sup>1</sup></b>		
Fee and commission income	351	340
Fee and commission expense	-135	-132
<b>Net fee and commission income</b>	<b>216</b>	<b>208</b>
Net result on items at fair value	282	179
<b>Operating income</b>	<b>498</b>	<b>387</b>
Operating expenses		
Staff costs	-121	-128
Other expenses	-83	-83
Depreciation, amortisation and impairment charges of tangible and intangible assets	-14	-6
<b>Total operating expenses</b>	<b>-218</b>	<b>-217</b>
<b>Operating profit, insurance</b>	<b>280</b>	<b>170</b>

1) Before allocations and elimination of intra-group transactions.

## Operating profit, insurance

EURm	2012	2011
<b>Technical result</b>		
Premiums written	5,494	5,576
Investment income, investment contracts	1,157	782
Investment income, insurance contracts	2,487	-354
Other technical income	132	139
Claims paid	-4,614	-3,823
Change in technical provisions, investment contracts	-1,732	-910
Change in technical provisions, insurance contracts	-1,734	-1,499
Change in collective bonus potential	-582	575
Operating expenses	-350	-350
<b>Technical result</b>	<b>258</b>	<b>136</b>
Non-technical investment income	22	34
<b>Operating profit</b>	<b>280</b>	<b>170</b>

## Balance sheet

EURm	31 Dec 2012	31 Dec 2011
<b>Assets</b>		
Cash and balances with central banks	1	1
Loans to the public	571	877
Loans to credit institutions	1,802	1,922
Interest bearing securities	25,405	25,789
Shares and participations	19,096	15,559
Derivatives	752	463
Participating interests	234	233
Intangible assets	332	335
Tangible assets	27	26
Investment property	3,261	3,523
Deferred tax assets	16	—
Retirement benefit assets	7	—
Other assets	559	439
Prepaid expenses and accrued income	545	432
<b>Total assets</b>	<b>52,608</b>	<b>49,599</b>
– of which intra-group transactions	4,973	4,879

## Liabilities

Deposits by credit institutions and central banks	1,999	3,941
Deposits and borrowings from the public	387	630
Liabilities to Life insurance policyholders	45,320	40,715
Derivatives	518	117
Current tax liabilities	65	22
Other liabilities	1,652	1,766
Accrued expenses and deferred income	212	128
Deferred tax liabilities	294	282
Provisions	6	—
Retirement benefit obligation	8	9
Subordinated liabilities	530	523
<b>Total liabilities</b>	<b>50,991</b>	<b>48,133</b>
<b>Equity</b>	<b>1,617</b>	<b>1,466</b>
<b>Total liabilities and equity</b>	<b>52,608</b>	<b>49,599</b>
– of which intra-group transactions	3,294	5,796

## G40

## Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is now a worldwide capital adequacy standard (Basel II) drawn up by the Basel Committee on Banking Supervision (BCBS). Within the EU, the capital adequacy requirements are outlined in the Capital Requirement Directive (CRD).

The CRD contains a detailed set of minimum requirements to assure the conceptual soundness and integrity of the internal assessment. Over the years, amendments have been made to the first version of the CRD regulation. CRD II was implemented at the end of 2010 and strengthened the large exposure regime, increased the quality of the capital base and added stricter securitisation regulation. CRD III, which has been valid since 31 December 2011 includes capital requirements for re-securitisation, disclosure of securitisation positions, capital requirements for trading book positions and remuneration policies (from 1 January 2011). The transition rule, stipulating that the capital is not allowed to be below 80% of the capital requirement calculated under Basel I regulation, has been extended to apply at least until December 2014.

The regulatory capital requirements are calculated using the following formula:

$$\text{Minimum capital requirements} = \text{Capital base/RWA}$$

where Minimum capital requirements  $\geq$  8%

The Basel II framework is built on three Pillars:

- Pillar I – requirements for the calculation of RWA and capital requirements
- Pillar II – rules for the Supervisory Review Process (SRP), including the ICAAP
- Pillar III – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2013, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with various supervisory authorities.

The disclosures in this note cover the Nordea Financial Group as defined on page 150.

## Bridge between IFRS equity and core tier 1 capital

EURm	31 Dec 2012	31 Dec 2011
Balance sheet equity	28,216	26,120
Adjustment NLP & AFS	-949	-757
<b>Subtotal</b>	<b>27,267</b>	<b>25,363</b>
Dividend	-1,370	-1,048
Goodwill	-2,346	-2,269
Intangible assets	-748	-717
Deferred taxes	-201	-169
Cash Flow hedges	16	-123
Shortfall deduction (50%)	-554	-243
Deduction for investments in credit institutions (50%)	-103	-117
<b>Core tier 1 capital</b>	<b>21,961</b>	<b>20,677</b>

## Items included in the capital base

EURm	31 Dec 2012	31 Dec 2011
<b>Tier 1 capital</b>		
Paid-up capital	4,050	4,047
Share premium	1,080	1,080
<b>Eligible capital</b>	<b>5,130</b>	<b>5,127</b>
Reserves	19,028	17,478
Minority interests	5	8
Income from current year	3,120	2,627
<b>Eligible reserves</b>	<b>22,153</b>	<b>20,113</b>
<b>Core tier 1 capital (before deductions)</b>	<b>27,283</b>	<b>25,240</b>
<b>Subordinated capital loans</b>	<b>1,992</b>	<b>1,964</b>
Proposed/actual dividend	-1,370	-1,048
Deferred tax assets	-201	-169
Intangible assets	-3,094	-2,986
Deductions for investments in credit institutions	-103	-117
IRB provisions shortfall (-)	-554	-243
<b>Deductions</b>	<b>-5,322</b>	<b>-4,563</b>
<b>Tier 1 capital (net after deductions)</b>	<b>23,953</b>	<b>22,641</b>
– of which hybrid capital	1,992	1,964
– of which core tier 1 capital (net of deductions)	21,961	20,677
<b>Tier 2 capital</b>		
Undated subordinated loans	708	723
Dated subordinated loans	4,676	3,197
Other additional own funds	56	4
<b>Tier 2 capital (before deductions)</b>	<b>5,440</b>	<b>3,924</b>
Deductions for investments in credit institutions	-103	-117
IRB provisions excess (+)/shortfall (-)	-554	-243
<b>Deductions</b>	<b>-657</b>	<b>-360</b>
<b>Tier 2 capital (net after deductions)</b>	<b>4,783</b>	<b>3,564</b>
Holdings in insurance undertakings	-1,236	-1,211
Pension assets in excess of related liabilities	-226	-156
<b>Capital base</b>	<b>27,274</b>	<b>24,838</b>

## G40

## Capital adequacy

**Core tier 1 capital and tier 1 capital**

Core tier 1 capital is defined as eligible capital including eligible reserves, net of regulatory required deductions made directly to tier 1 capital. The capital recognised as core tier 1 capital holds the ultimate characteristics for loss absorbance defined from a going concern perspective and represents the most subordinated claim in the event of liquidation. The tier 1 capital is defined as core tier 1 capital and capital of the same or close to the character of eligible capital and eligible reserves. Tier 1 capital can include a limited component of undated subordinated capital loans.

**Eligible capital and eligible reserves**

Paid up capital is the share capital contributed by shareholders, including the share premium paid. Eligible reserves consist primarily of retained earnings, other reserves, minority interests and income from current year. Retained earnings are earnings from previous years reported via the income statement. Other reserves are related to revaluation and translation reserves referred to acquisitions and associated undertakings under the equity method. The equity interests of minority shareholdings in companies that are fully consolidated in the financial group are also included. Positive income from current year is included as eligible capital after verification by the external auditors, however negative income must be deducted. Repurchased own shares or own shares temporary included in trading portfolios are deducted from eligible reserves.

The eligible capital and eligible reserves, considered as the capital of highest quality, constitute the predominant share (92%) of tier 1 capital in Nordea.

**Tier 1 instruments subject to limits**

The requirement for including undated subordinated loans in tier 1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument.

Undated subordinated loans may be repaid only upon decision by the Board of Directors in Nordea and with the permission of the Swedish FSA. Further, there are restrictions related to step-up conditions order of priority, interest payments under constraint conditions. Currently, the inclusion of undated subordinated capital as a component of tier 1 capital is limited by regulation to 50% net of relevant deductions. For the tier 1 loans, conditions specify appropriation in order to avoid being obliged to enter into liquidation. To the extent that may be required to avoid liquidation, the principal amounts of tier 1 loans (together with accrued interest) would be written down and converting such amount into a conditional capital contribution.

As of year-end 2012, the undated tier 1 instruments included in the capital base of the Nordea Group constitute only 8% of tier 1 capital.

**Tier 2 capital**

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

**Tier 2 subordinated loans**

Tier 2 capital consists mainly of subordinated loans. Tier 2 capital includes two different types of subordinated loan capital; undated loans and dated loans. According to the regulation, tier 2 capital may not exceed tier 1 capital and dated tier 2 loans must not exceed 50% of tier 1 capital. The limits are set net after deductions.

The basic principle for subordinated loans in the capital base is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The share of outstanding loan amount possible to include in the tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years.

During 2012 Nordea issued two new tier 2 loans of EUR 750m and USD 1,000m respectively. As of year-end, Nordea held EUR 4.7bn in dated subordinated loans and EUR 0.7bn in undated subordinated loans.

The table below shows the carrying outstanding amounts of undated and dated loans included in the capital base. Call date is where the issuer has the legal right to redeem outstanding loan amounts according the terms of agreement. The loans and the principles for time-reductions follow Swedish legislation. The carrying amounts in the table may deviate from capital amounts used in the capital base due to swap arrangements and adjustments for maturities.

**Other tier 2 capital**

Other additional funds consists of adjustment to valuation differences in available for sale equities transferred to core additional own funds. Unrealised gains from equity holdings classified as available for sale securities can according to regulation only be included in tier 2 capital. Nordea has no significant holdings in this category and therefore only has a minor impact on tier 2 capital from such items.

## G40

## Capital adequacy

## Dated and undated loans

*Dated loans, tier 2*

Issuer	Carrying amount EURm	Capital base 31 Dec 2012	Start	Maturity	Call date	Step-up
Nordea Bank AB	939	939	2011	May 2021		N
Nordea Bank AB	500	500	2008	Sep 2018	Sep 2013	Y
Nordea Bank AB	746	746	2012	Feb 2022	Feb 2017	N
Nordea Bank AB	996	996	2010	Mar 2020		N
Nordea Bank AB	746	746	2010	Mar 2021		N
Nordea Bank AB	749	749	2012	Sep 2022		N
<b>Total dated loans</b>	<b>4,676</b>	<b>4,676</b>				

*Undated loans, tier 1*

Issuer	Carrying amount EURm	Capital base 31 Dec 2012	Start	Maturity	Call date	Step-up
Nordea Bank AB	376	398	2009	n/a	Mar 2015	Y
Nordea Bank AB	376	376	2009	n/a	Mar 2015	Y
Nordea Bank AB	455	500	2005	n/a	Apr 2015	Y
Nordea Bank AB	176	145	2005	n/a	Mar 2035	Y
Nordea Bank AB	88	73	2005	n/a	Oct 2035	Y
Nordea Bank AB	500	500	2004	n/a	Mar 2013	N
<b>Total undated loans, tier 1</b>	<b>1,971</b>	<b>1,992</b>				

*Undated loans, tier 2*

Issuer	Carrying amount EURm	Capital base 31 Dec 2012	Start	Maturity	Call date	Step-up
Nordea Bank Norway ASA	152	152	1986	n/a	May 2013	N
Nordea Bank Finland Plc	367	468	2004	n/a	Jul 2014	Y
Nordea Bank Finland Plc	88	88	1999	n/a	Feb 2029	Y
<b>Total undated loans, tier 2</b>	<b>607</b>	<b>708</b>				

<b>Total</b>	<b>7,254</b>	<b>7,376</b>
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## G40 Capital adequacy

### Capital requirements and RWA

EURm	31 Dec 2012		31 Dec 2011	
	Capital requirement	Basel II RWA	Capital requirement	Basel II RWA
<b>Credit risk</b>	<b>11,627</b>	<b>145,340</b>	<b>12,929</b>	<b>161,604</b>
IRB foundation	9,764	122,050	9,895	123,686
– of which corporate	7,244	90,561	6,936	86,696
– of which institutions	671	8,384	897	11,215
– of which retail SME	915	11,439	1,041	13,017
– of which retail mortgage	721	9,007	800	10,005
– of which retail other	101	1,264	108	1,345
– of which other	112	1,395	113	1,408
Standardised	1,863	23,290	3,034	37,918
– of which sovereign	34	426	43	536
– of which institution	47	583	90	1,127
– of which corporate	732	9,160	1,885	23,557
– of which retail	860	10,752	795	9,934
– of which other	190	2,369	221	2,764
<b>Market risk</b>	<b>506</b>	<b>6,323</b>	<b>652</b>	<b>8,144</b>
– of which trading book, Internal Approach	312	3,897	390	4,875
– of which trading book, Standardised Approach	138	1,727	206	2,571
– of which banking book, Standardised Approach	56	699	56	698
<b>Operational risk</b>	<b>1,298</b>	<b>16,229</b>	<b>1,236</b>	<b>15,452</b>
– of which standardised	1,298	16,229	1,236	15,452
<b>Sub total</b>	<b>13,431</b>	<b>167,892</b>	<b>14,817</b>	<b>185,200</b>
<b>Adjustment for transition rules</b>				
Additional capital requirement according to transition rules	3,731	46,631	3,087	38,591
<b>Total</b>	<b>17,162</b>	<b>214,523</b>	<b>17,904</b>	<b>223,791</b>

### Capital requirements for market risk, 31 December 2012

EURm	Trading book, IA		Trading book, SA		Banking book, SA		Total	
	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement
Interest rate risk <sup>1</sup>	1,070	85	1,298	104	—	—	2,368	189
Equity risk	106	9	317	25	—	—	423	34
Foreign exchange risk	298	24	—	—	699	56	997	80
Commodity risk	—	—	112	9	—	—	112	9
Diversification effect	–600	–48	—	—	—	—	–600	–48
Stressed Value-at-Risk	1,770	142	—	—	—	—	1,770	142
Incremental Risk Charge	764	61	—	—	—	—	764	61
Comprehensive Risk Charge	489	39	—	—	—	—	489	39
<b>Total</b>	<b>3,897</b>	<b>312</b>	<b>1,727</b>	<b>138</b>	<b>699</b>	<b>56</b>	<b>6,323</b>	<b>506</b>

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

The Nordea Group may transfer capital within its legal entities without material restrictions. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of the Group. The guarantee schemes introduced within the EU in 2008 limit the transferability of capital under certain circumstances, which serves to impact cross-border financial groups. No such restrictions were however directly affecting Nordea as per end of 2012.

More Capital Adequacy information for the Group can be found in the Capital management section page 66 and in the Pillar III report.

More Capital Adequacy information for the Group can be found in the Capital management section page 66 and in the Pillar III report.

## G40

## Capital adequacy

**Specification over group undertakings consolidated/deducted from the Nordea Financial Group, 31 December 2012**

Group undertakings included in the Nordea Financial Group	Number of shares	Carrying amount EURm	Voting power of holding	Domicile	Consolidation method
Nordea Bank Finland Plc	1,030,800,000	5,956	100%	Helsinki	Purchase method
Nordea Finance Finland Ltd			100%	Espoo	Purchase method
Nordea Bank Danmark A/S	50,000,000	4,010	100%	Copenhagen	Purchase method
Nordea Finans Danmark A/S			100%	Höje Taastrup	Purchase method
Nordea Kredit Realkreditaktieselskab			100%	Copenhagen	Purchase method
Fionia Asset Company A/S			100%	Copenhagen	Purchase method
Nordea Bank Norge ASA	551,358, 576	2,818	100%	Oslo	Purchase method
Nordea Eiendoms kreditt AS			100%	Oslo	Purchase method
Nordea Finans Norge AS			100%	Oslo	Purchase method
Privatmegleren AS			100%	Oslo	Purchase method
Nordea Bank Polska S.A.	55,061,403	363	99%	Gdynia	Purchase method
OOO Promyshlennaya Companiya Vestcon	4,601,942,680	659	100%	Moscow	Purchase method
OJSC Nordea Bank			100%	Moscow	Purchase method
Nordea Hypotek AB (publ)	100,000	1,898	100%	Stockholm	Purchase method
Nordea Fonder AB	15,000	241	100%	Stockholm	Purchase method
Nordea Bank S.A.	999,999	454	100%	Luxembourg	Purchase method
Nordea Finans Sverige AB (publ)	1,000,000	116	100%	Stockholm	Purchase method
Nordea Fondene Norge Holding AS	1,200	29	100%	Oslo	Purchase method
Nordea Eijendomsinvestering A/S	1,000	29	100%	Copenhagen	Purchase method
Nordea Investment Management AB	12,600	232	100%	Stockholm	Purchase method
Nordea Invest Fund Management A/S	25,000	8	100%	Copenhagen	Purchase method
Nordea Investment Fund Company Finland Ltd	3,350	138	100%	Helsinki	Purchase method
Nordea Life Holding AB	1,000	707	100%	Stockholm	Purchase method
Other companies		1			Purchase method
<b>Total included in the capital base</b>		<b>17,659</b>			

Group undertakings deducted from the capital base	Carrying amount EURm	Voting power of holding	Domicile
Nordea Life Holding AB, including debt from parent company	1,236	100%	Stockholm
<b>Total group undertakings deducted from the capital base</b>	<b>1,236</b>		

**Over 10% investments in credit institutions deducted from the capital base, including debt from group undertakings**

Eksportfinans ASA	191	23%	Oslo
NF Fleet Oy	2	20%	Espoo
LR Realkredit A/S	13	39%	Copenhagen
Other	0		
<b>Total investments in credit institutions deducted from the capital base<sup>1</sup></b>	<b>206</b>		

1) Other associated undertakings are consolidated using the equity method.

## G41

## Classification of financial instruments

31 Dec 2012, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Available for sale	Non-financial assets	Total
			Held for trading	Designated at fair value through profit or loss				
Assets								
Cash and balances with central banks	36,060	—	—	—	—	—	—	36,060
Loans to central banks	7,207	—	798	—	—	—	—	8,005
Loans to credit institutions	2,911	—	6,683	975	—	—	—	10,569
Loans to the public	266,996	—	26,120	53,135	—	—	—	346,251
Interest-bearing securities	755	6,497	39,561	20,762	—	27,364	—	94,939
Financial instruments pledged as collateral	—	—	7,970	—	—	—	—	7,970
Shares	—	—	8,950	19,168	—	10	—	28,128
Derivatives	—	—	115,706	—	3,083	—	—	118,789
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-711	—	—	—	—	—	—	-711
Investments in associated undertakings	—	—	—	—	—	—	585	585
Intangible assets	—	—	—	—	—	—	3,425	3,425
Property and equipment	—	—	—	—	—	—	474	474
Investment property	—	—	—	—	—	—	3,408	3,408
Deferred tax assets	—	—	—	—	—	—	218	218
Current tax assets	—	—	—	—	—	—	78	78
Retirement benefit assets	—	—	—	—	—	—	301	301
Other assets	7,560	—	—	7,810	—	—	1,002	16,372
Prepaid expenses and accrued income	2,083	—	—	25	—	—	451	2,559
Total	322,861	6,497	205,788	101,875	3,083	27,374	9,942	677,420
31 Dec 2012, EURm			Financial liabilities at fair value through profit or loss		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
			Held for trading	Designated at fair value through profit or loss				
Liabilities								
Deposits by credit institutions			17,320	2,538	—	35,568	—	55,426
Deposits and borrowings from the public			16,919	7,381	—	176,378	—	200,678
Liabilities to policyholders			—	12,106	—	—	33,214	45,320
Debt securities in issue			7,572	31,296	—	145,472	—	184,340
Derivatives			113,202	—	1,001	—	—	114,203
Fair value changes of the hedged items in portfolio hedge of interest rate risk			—	—	—	1,940	—	1,940
Current tax liabilities			—	—	—	—	391	391
Other liabilities			6,136	5,787	—	19,107	2,442	33,472
Accrued expenses and prepaid income			—	470	—	2,103	1,330	3,903
Deferred tax liabilities			—	—	—	—	997	997
Provisions			—	—	—	—	389	389
Retirement benefit obligations			—	—	—	—	348	348
Subordinated liabilities			—	—	—	7,797	—	7,797
Total			161,149	59,578	1,001	388,365	39,111	649,204

## G41

## Classification of financial instruments, cont.

31 Dec 2011, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Available for sale	Non-financial assets	Total
			Held for trading	Designated at fair value through profit or loss				
<b>Assets</b>								
Cash and balances with central banks	3,765	—	—	—	—	—	—	3,765
Loans to central banks	40,063	—	552	—	—	—	—	40,615
Loans to credit institutions	2,963	—	4,760	3,527	—	—	—	11,250
Loans to the public	264,272	—	23,718	49,213	—	—	—	337,203
Interest-bearing securities	400	7,893	43,138	21,138	—	19,804	—	92,373
Financial instruments pledged as collateral	—	—	8,373	—	—	—	—	8,373
Shares	—	—	4,474	15,683	—	10	—	20,167
Derivatives	—	—	169,402	—	2,541	—	—	171,943
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-215	—	—	—	—	—	—	-215
Investments in associated undertakings	—	—	—	—	—	—	591	591
Intangible assets	—	—	—	—	—	—	3,321	3,321
Property and equipment	—	—	—	—	—	—	469	469
Investment property	—	—	—	—	—	—	3,644	3,644
Deferred tax assets	—	—	—	—	—	—	169	169
Current tax assets	—	—	—	—	—	—	185	185
Retirement benefit assets	—	—	—	—	—	—	223	223
Other assets	12,548	—	—	6,854	—	—	23	19,425
Prepaid expenses and accrued income	2,124	—	169	36	—	—	374	2,703
<b>Total</b>	<b>325,920</b>	<b>7,893</b>	<b>254,586</b>	<b>96,451</b>	<b>2,541</b>	<b>19,814</b>	<b>8,999</b>	<b>716,204</b>

31 Dec 2011, EURm	Financial liabilities at fair value through profit or loss		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
	Held for trading	Designated at fair value through profit or loss				
<b>Liabilities</b>						
Deposits by credit institutions	12,934	7,204	—	35,178	—	55,316
Deposits and borrowings from the public	14,092	6,962	—	169,038	—	190,092
Liabilities to policyholders	—	10,226	—	—	30,489	40,715
Debt securities in issue	6,087	31,756	—	142,107	—	179,950
Derivatives	166,763	—	627	—	—	167,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	1,274	—	1,274
Current tax liabilities	—	—	—	—	154	154
Other liabilities	13,539	5,024	—	24,677	128	43,368
Accrued expenses and prepaid income	—	664	—	1,805	1,027	3,496
Deferred tax liabilities	—	—	—	—	1,018	1,018
Provisions	—	—	—	—	483	483
Retirement benefit obligations	—	—	—	—	325	325
Subordinated liabilities	—	—	—	6,503	—	6,503
<b>Total</b>	<b>213,415</b>	<b>61,836</b>	<b>627</b>	<b>380,582</b>	<b>33,624</b>	<b>690,084</b>

## Loans designated at fair value through profit or loss

EURm <sup>1</sup>	31 Dec 2012	31 Dec 2011
Carrying amount	54,110	52,740
Maximum exposure to credit risk	54,110	52,740
Carrying amount of credit derivatives used to mitigate the credit risk	—	—

1) Comparative figures have been restated to ensure consistency between periods.

## G41

## Classification of financial instruments, cont.

**Financial assets and liabilities designated at fair value through profit or loss****Changes in fair values of financial liabilities attributable to changes in credit risk**

The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk are issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 31,296m (EUR 31,756m), the funding of the Markets operation, EUR 16,176m (EUR 19,854m) and investment contracts in Life, EUR 12,106m (EUR 10,226m). The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant. The value of the investment contracts in Life is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

The fair value of bonds issued by Nordea Kredit Realkreditaktieselskab increased by EUR 89m (decreased EUR 210m) in 2012 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 626m (decrease EUR 718m). The method used to estimate the amount of changes in fair value attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds.

For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

**Changes in fair values of financial assets attributable to changes in credit risk**

Lending designated at fair value through profit or loss exposed to changes in credit risk consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 48,091m (EUR 45,720m) and lending in the Markets operation, EUR 6,019m (EUR 7,020m). The fair value of lending in Nordea Kredit Realkreditaktieselskab decreased by EUR 119m (decreased EUR 51m) in 2012 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 169m (decrease EUR 113m). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant. Also instruments classified as "Other assets" and "Prepaid expenses and accrued income" are of such a short-term nature that the impact from changes in credit risk is not significant.

**Comparison of carrying amount and contractual amount to be paid at maturity**

2012, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	59,578	58,338
2011, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	61,836	60,420

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

## G42

## Assets and liabilities at fair value

EURm	31 Dec 2012		31 Dec 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Cash and balances with central banks	36,060	36,060	3,765	3,765
Loans to central banks	8,005	8,005	40,615	40,615
Loans to credit institutions	10,569	10,571	11,250	11,271
Loans to the public	346,251	346,505	337,203	337,354
Interest-bearing securities	94,939	95,308	92,373	92,635
Financial instruments pledged as collateral	7,970	7,970	8,373	8,373
Shares	28,128	28,128	20,167	20,247
Derivatives	118,789	118,789	171,943	171,943
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-711	-711	-215	-215
Investments in associated undertakings	585	585	591	591
Intangible assets	3,425	3,425	3,321	3,321
Property and equipment	474	474	469	469
Investment property	3,408	3,408	3,644	3,644
Deferred tax assets	218	218	169	169
Current tax assets	78	78	185	186
Retirement benefit assets	301	301	223	223
Other assets	16,372	16,372	19,425	19,425
Prepaid expenses and accrued income	2,559	2,559	2,703	2,703
<b>Total assets</b>	<b>677,420</b>	<b>678,045</b>	<b>716,204</b>	<b>716,719</b>
<b>Liabilities</b>				
Deposits by credit institutions	55,426	55,396	55,316	55,302
Deposits and borrowings from the public	200,678	200,605	190,092	190,047
Liabilities to policyholders	45,320	45,320	40,715	40,715
Debt securities in issue	184,340	183,647	179,950	179,902
Derivatives	114,203	114,203	167,390	167,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,940	1,940	1,274	1,274
Current tax liabilities	391	391	154	154
Other liabilities	33,472	33,472	43,368	43,368
Accrued expenses and prepaid income	3,903	3,903	3,496	3,496
Deferred tax liabilities	997	997	1,018	1,018
Provisions	389	389	483	483
Retirement benefit obligations	348	348	325	325
Subordinated liabilities	7,797	7,798	6,503	6,502
<b>Total liabilities</b>	<b>649,204</b>	<b>648,409</b>	<b>690,084</b>	<b>689,976</b>

## G42

## Assets and liabilities at fair value, cont.

**Determination of fair value for assets and liabilities**

Financial assets and financial liabilities on the balance sheet are generally measured at fair value, with the exception of loans, deposits and borrowings and issued securities.

The carrying amounts on loans, deposits and borrowings and issued securities are adjusted for the value of the fixed interest term, unless the interest risk is hedged, in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term. The fair value of the hedged interest rate risk is included in the balance sheet item "Fair value changes of the hedged items in portfolio hedge of interest rate risk".

Fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities. The carrying amount is a reasonable approximation of fair value due to limited credit risk and short time to maturity.

Fair value is set to carrying amount, in the tables above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for the line items investments in associated undertakings, investments in group undertakings, intangible assets, property and equipment and provisions.

Nordea holds very limited amounts of financial instruments with discretionary participating features in the Life business, which are recognised on the balance sheet in the line "Liabilities to policyholders". These instruments can not be reliably measured at fair value and consequently the fair value for these instruments are set to the carrying amount.

Nordea holds very limited amounts of equity instruments measured at cost. Fair value is set to the carrying amount for these instruments as the fair value can not be measured reliably.

For further information about valuation of items normally measured at fair value, see Note G1 and the separate section below.

**Deferred Day 1 profit or loss**

In accordance with the Group's accounting policy as described in Note G1, the financial instrument is recognised at the transaction price and any trade date profit is deferred if there are significant unobservable inputs used in the valuation technique. The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of changes in the carrying amount (movement of deferred Day 1 profit or loss).

EURm	31 Dec 2012	31 Dec 2011
Amount at beginning of year	29	42
Deferred profit/loss on new transactions	7	1
Recognised in the income statement during the year	-12	-14
<b>Amount at end of year</b>	<b>24</b>	<b>29</b>

**Determination of fair value from quoted market prices or valuation techniques**

Fair value measurements of financial instruments carried at fair value are categorised under the three levels of the IFRS fair value hierarchy that reflects the significance of unobservable inputs. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of financial assets and financial liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of financial assets and financial liabilities that do not have directly quoted market prices available from active markets. The fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under reverse repurchase/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of financial instruments where fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds and hedge funds. This is generally also the case for more complex OTC derivatives, including OTC derivatives where less active markets supply input to the valuation techniques or models, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

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

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

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

## G42

## Assets and liabilities at fair value, cont.

archy and all significant model parameters are thus observable in active markets. For vanilla derivatives standard models like e.g. Black-Scholes are used for valuation.

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

Nordea furthermore holds loans and issued debt securities in the group undertaking Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices and thus categorised as Level 1 in the fair value hierarchy. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

Fair value is generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and

assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio's counterparty credit risk and liquidity risk. An important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The portfolio adjustment for uncertainties associated with model assumptions comprises two components (The calculation principles are defined as part of the internal approval process for valuation models):

- Benchmarking of the model output (market values) against market information or against results from alternative models, where available.
- Sensitivity calculations where unobservable parameters are changed to other reasonable values.

The portfolio adjustment for counterparty risk in OTC-derivatives is based on the current exposure towards each counterpart, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart.

The following table presents the categorisation of financial instruments held at fair value into the fair value hierarchy.

	Quoted prices in active markets for the same instrument (Level 1)	– of which Life	Valuation technique using observable data (Level 2)	– of which Life	Valuation technique using non-observable data (Level 3)	– of which Life	Total
<b>31 Dec 2012, EURm</b>							
<b>Assets</b>							
Loans to central banks	—	—	798	—	—	—	798
Loans to credit institutions	34	—	7,624	—	—	—	7,658
Loans to the public	—	—	79,255	—	—	—	79,255
Debt securities <sup>1</sup>	60,593	16,768	33,940	5,558	1,118	719	95,651
Shares <sup>2</sup>	24,760	16,886	—	—	3,374	2,210	28,134
Derivatives	175	156	116,698	78	1,916	—	118,789
Other assets	—	—	7,810	—	—	—	7,810
Prepaid expenses and accrued income	—	—	25	—	—	—	25
<b>Liabilities</b>							
Deposits by credit institutions	—	—	19,858	—	—	—	19,858
Deposits and borrowings from the public	—	—	24,300	—	—	—	24,300
Liabilities to policy holders	—	—	12,106	12,106	—	—	12,106
Debt securities in issue	31,296	—	7,572	—	—	—	38,868
Derivatives	53	—	112,566	—	1,584	—	114,203
Other liabilities	4,873	—	7,050	—	—	—	11,923
Accrued expenses and prepaid income	—	—	470	—	—	—	470

1) Of which EUR 87,687m relates to Interest-bearing securities (the portion held at fair value in Note G41). EUR 7,964m relates to the balance sheet item Financial instruments pledged as collateral.

2) EUR 6m relates to the balance sheet item Financial instruments pledged as collateral.

## G42

## Assets and liabilities at fair value, cont

31 Dec 2011, EURm	Quoted prices in active markets for the same instrument (Level 1)	– of which Life	Valuation technique using observable data (Level 2)	– of which Life	Valuation technique using non-observable data (Level 3)	– of which Life	Total
<b>Assets</b>							
Loans to central banks	—	—	552	—	—	—	552
Loans to credit institutions	48	—	8,239	—	—	—	8,287
Loans to the public	—	—	72,931	—	—	—	72,931
Debt securities <sup>1</sup>	71,424	14,443	19,230	5,944	1,149	750	91,803
Shares <sup>2</sup>	15,893	12,134	3	—	4,921	3,425	20,817
Derivatives	551	3	170,435	11	957	—	171,943
Other assets	—	—	6,854	—	—	—	6,854
Prepaid expenses and accrued income	—	—	205	—	—	—	205
<b>Liabilities</b>							
Deposits by credit institutions	—	—	20,138	—	—	—	20,138
Deposits and borrowings from the public	—	—	21,054	—	—	—	21,054
Liabilities to policy holders	—	—	10,226	10,226	—	—	10,226
Debt securities in issue	31,756	—	6,087	—	—	—	37,843
Derivatives	396	38	165,748	17	1,246	5	167,390
Other liabilities	8,212	—	10,351	—	—	—	18,563
Accrued expenses and prepaid income	—	—	664	—	—	—	664

1) Of which EUR 84,080m relates to Interest-bearing securities (the portion held at fair value in Note G41). EUR 7,723m relates to the balance sheet item Financial instruments pledged as collateral.

2) EUR 650m relates to the balance sheet item Financial instruments pledged as collateral.

**Transfers between level 1 and 2**

During the year, Nordea Group transferred debt securities of EUR 9,558m (EUR 3,057m) from level 1 to level 2 and EUR 1,447m (EUR 496m) from level 2 to level 1 of the fair value hierarchy for financial assets and liabilities at fair value. The reason for transfers from level 1 to level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for transfers from level 2 to level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the markets.

## G42

## Assets and liabilities at fair value, cont

## Movements in level 3

The following table shows a reconciliation of the opening and closing carrying amounts of level 3 financial assets and liabilities recognised at fair value.

31 Dec 2012, EURm	1 Jan 2012	Fair value gains/losses recognised in the income statement during the year		Purchases	Sales	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2012
		Realised	Unrealised <sup>1</sup>							
Debt securities	1,149	16	55	156	-269	6	—	—	5	1,118
– of which Life	750	22	40	57	-156	—	—	—	6	719
Shares	4,921	74	84	1,435	-3,202	-4	25	-10	51	3,374
– of which life	3,425	91	38	1,223	-2,593	—	25	-9	10	2,210
Derivatives (net of assets and liabilities)	-289	-264	621	—	—	264	—	0	—	332

1) Relates to those assets and liabilities held at the end of the reporting period.

31 Dec 2011, EURm	1 Jan 2011	Realised	Unrealised <sup>1</sup>	Purchases	Sales	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2011
Debt securities	1,848	-13	149	417	-671	—	68	-655	6	1,149
– of which Life	1,787	-13	-16	110	-536	—	68	-655	5	750
Shares	4,237	65	-79	1,819	-1,533	—	655	-56	-187	4,921
– of which life	2,425	43	2	1,434	-1,084	—	655	-56	6	3,425
Derivatives (net of assets and liabilities)	-65	485	-228	—	—	-485	4	—	0	-289

1) Relates to those assets and liabilities held at the end of the reporting period.

Fair value gains/losses recognised in the income statement during the year are included in “Net result from items at fair value” (see Note G5).

## Sensitivity analysis of level 3 financial instruments

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. Portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see Note G1 section 11 “Determination of fair value of financial instruments” and the separate section above).

This disclosure shows the potential impact from the relative uncertainty in the fair value of financial instruments for which the valuation is dependent on unobservable input parameters. The estimates disclosed below are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions, by class of instruments. Where the exposure to an unobservable parameter is offset across different instruments only the net impact is disclosed in the table.

31 Dec 2012, EURm	Carrying amount	Effect of reasonably possible alternative assumptions	
		Favourable	Unfavourable
Debt securities	1,118	60	-60
– of which Life	719	36	-36
Shares	3,374	315	-315
– of which Life	2,210	221	-221
Derivatives (net)	332	20	-24

31 Dec 2011, EURm	Carrying amount	Favourable	Unfavourable
Debt securities	1,149	58	-58
– of which Life	750	28	-28
Shares	4,921	444	-444
– of which Life	3,425	342	-342
Derivatives (net)	-289	20	-43

In order to calculate the effect on level 3 fair values, from altering the assumptions of the valuation technique or model, the sensitivity to unobservable input data is assessed. Derivatives portfolio key inputs, that are based on pricing model assumptions or unobservability of market data inputs, are replaced by alternative estimates or assumptions and the impact on the valuation computed. The majority of the effect on the derivatives is related to various types of correlations or correlation related inputs in credit derivatives, in interest rate OTC derivatives or OTC structured equity derivatives. For the level 3 portfolios of shares and debt securities the fair value was increased and decreased within a range of 3–10 percentage units, which are assessed to be reasonable changes in market movements.

## G43

## Transferred assets and obtained collaterals

**Transferred assets that are not derecognised in their entirety and associated liabilities**

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in that securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions holds the securities as collateral, but has no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

EURm	31 Dec 2012	31 Dec 2011
<b>Repurchase agreements</b>		
Interest-bearing securities	7,964	7,723
<b>Securities lending agreements</b>		
Shares	6	650
<b>Total</b>	<b>7,970</b>	<b>8,373</b>

**Liabilities associated with the assets**

EURm	31 Dec 2012	31 Dec 2011
<b>Repurchase agreements</b>		
Deposits by credit institutions	3,082	3,821
Deposits and borrowings from the public	5,103	3,368
<b>Securities lending agreements</b>		
Deposits by credit institutions	46	—
Other	—	1
<b>Total</b>	<b>8,231</b>	<b>7,190</b>
<b>Net</b>	<b>-261</b>	<b>1,183</b>

**Obtained collaterals which are permitted to be sold or repledged**

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2012	31 Dec 2011
<b>Reverse repurchase agreements</b>		
Received collaterals which can be repledged or sold	33,092	32,700
– of which repledged or sold	14,498	10,499
<b>Securities borrowing agreements</b>		
Received collaterals which can be repledged or sold	4,064	2,261
– of which repledged or sold	4,053	2,206
<b>Total</b>	<b>37,156</b>	<b>34,961</b>

## G44

## Investments, customer bearing the risk

Life Group and Nordea Bank Danmark A/S have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

EURm	31 Dec 2012	31 Dec 2011
<b>Assets</b>		
Interest-bearing securities	1,837	2,262
Shares	18,288	13,649
Other assets	236	259
<b>Total assets</b>	<b>20,361</b>	<b>16,170</b>
<b>Liabilities</b>		
Deposits and borrowings from the public	3,891	3,932
Insurance contracts	7,168	4,900
Investment contracts	8,911	7,338
Other liabilities	391	—
<b>Total liabilities</b>	<b>20,361</b>	<b>16,170</b>

## G45

## Maturity analysis for assets and liabilities

## Remaining maturity

31 Dec 2012, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		36,060	—	—	—	—	—	36,060
Loans to central banks	G13	6,764	1,241	0	0	0	—	8,005
Loans to credit institutions	G13	1,375	7,347	611	880	356	—	10,569
Loans to the public	G13	17,014	84,921	29,064	82,954	132,298	—	346,251
Interest-bearing securities	G14	848	15,775	12,588	48,526	17,202	—	94,939
Financial instruments pledged as collateral	G15	—	691	3,972	2,929	378	—	7,970
Derivatives	G17	—	5,459	5,399	33,220	74,711	—	118,789
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	—	0	85	–238	–558	—	–711
<b>Total assets with fixed maturities</b>		<b>62,061</b>	<b>115,434</b>	<b>51,719</b>	<b>168,271</b>	<b>224,387</b>	<b>—</b>	<b>621,872</b>
Other assets		—	—	—	—	—	55,548	55,548
<b>Total assets</b>		<b>62,061</b>	<b>115,434</b>	<b>51,719</b>	<b>168,271</b>	<b>224,387</b>	<b>55,548</b>	<b>677,420</b>
Deposits by credit institutions	G26	7,636	39,181	4,103	3,627	879	—	55,426
Deposits and borrowings from the public	G27	149,613	36,887	6,360	868	6,950	—	200,678
– of which Deposits		148,010	21,517	4,716	868	6,950	—	182,061
– of which Borrowings		1,603	15,370	1,644	0	0	—	18,617
Liabilities to policyholders	G28	877	379	1,219	7,629	35,216	—	45,320
Debt securities in issue	G29	0	46,309	33,979	74,059	29,993	—	184,340
– of which Debt securities in issue		—	46,205	33,978	74,056	29,993	—	184,232
– of which Other		0	104	1	3	—	—	108
Derivatives	G17	—	6,256	5,673	34,403	67,871	—	114,203
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	—	0	–183	382	1,741	—	1,940
Subordinated liabilities	G34	—	0	4	584	7,209	—	7,797
<b>Total liabilities with fixed maturities</b>		<b>158,126</b>	<b>129,012</b>	<b>51,155</b>	<b>121,552</b>	<b>149,859</b>	<b>—</b>	<b>609,704</b>
Other liabilities		—	—	—	—	—	39,500	39,500
Equity		—	—	—	—	—	28,216	28,216
<b>Total liabilities and equity</b>		<b>158,126</b>	<b>129,012</b>	<b>51,155</b>	<b>121,552</b>	<b>149,859</b>	<b>67,716</b>	<b>677,420</b>

## G45

## Maturity analysis for assets and liabilities, cont.

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		3,765	—	—	—	—	—	3,765
Loans to central banks	G13	17,575	23,040	—	—	—	—	40,615
Loans to credit institutions	G13	1,266	5,266	271	4,070	377	—	11,250
Loans to the public	G13	25,293	78,608	17,138	74,826	141,338	—	337,203
Interest-bearing securities	G14	3,713	17,190	18,768	38,477	14,225	—	92,373
Financial instruments pledged as collateral	G15	—	1,013	3,632	2,240	1,488	—	8,373
Derivatives	G17	—	9,659	7,452	39,854	114,978	—	171,943
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	55	–644	93	298	–17	—	–215
<b>Total assets with fixed maturities</b>		<b>51,667</b>	<b>134,132</b>	<b>47,354</b>	<b>159,765</b>	<b>272,389</b>	<b>—</b>	<b>665,307</b>
Other assets		—	—	—	—	—	50,897	50,897
<b>Total assets</b>		<b>51,667</b>	<b>134,132</b>	<b>47,354</b>	<b>159,765</b>	<b>272,389</b>	<b>50,897</b>	<b>716,204</b>

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Deposits by credit institutions	G26	7,025	42,675	1,800	3,153	663	—	55,316
Deposits and borrowings from the public	G27	131,019	42,054	9,200	966	6,853	—	190,092
– of which Deposits		129,845	28,126	8,935	932	6,771	—	174,609
– of which Borrowings		1,174	13,928	265	34	82	—	15,483
Liabilities to policyholders	G28	656	446	1,100	7,010	31,503	—	40,715
Debt securities in issue	G29	0	61,467	26,019	63,791	28,673	—	179,950
– of which Debt securities in issue		—	61,311	26,019	63,791	28,673	—	179,794
– of which Other		0	156	—	—	—	—	156
Derivatives	G17	—	8,157	7,535	41,420	110,278	—	167,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk	G18	80	–12	166	1,782	–742	—	1,274
Subordinated liabilities	G34	—	—	—	903	5,600	—	6,503
<b>Total liabilities with fixed maturities</b>		<b>138,780</b>	<b>154,787</b>	<b>45,820</b>	<b>119,025</b>	<b>182,828</b>	<b>—</b>	<b>641,240</b>
Other liabilities		—	—	—	—	—	48,844	48,844
Equity		—	—	—	—	—	26,120	26,120
<b>Total liabilities and equity</b>		<b>138,780</b>	<b>154,787</b>	<b>45,820</b>	<b>119,025</b>	<b>182,828</b>	<b>74,964</b>	<b>716,204</b>

## Cash flow analysis

31 Dec 2012, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	64,731	96,711	52,205	178,597	252,197	644,441
Non interest-bearing financial assets	—	—	—	—	174,644	174,644
<b>Total financial assets</b>	<b>64,731</b>	<b>96,711</b>	<b>52,205</b>	<b>178,597</b>	<b>426,841</b>	<b>819,085</b>
Interest-bearing financial liabilities	131,671	154,611	52,562	94,468	44,617	477,929
Non interest-bearing financial liabilities	879	634	1,219	7,629	264,394	274,755
<b>Total financial liabilities</b>	<b>132,550</b>	<b>155,245</b>	<b>53,781</b>	<b>102,097</b>	<b>309,011</b>	<b>752,684</b>
Derivatives, cash inflow	—	502,724	185,363	373,691	167,094	1,228,872
Derivatives, cash outflow	—	522,850	184,338	365,760	166,886	1,239,834
<b>Net exposure</b>	<b>—</b>	<b>–20,126</b>	<b>1,025</b>	<b>7,931</b>	<b>208</b>	<b>–10,962</b>
<b>Exposure</b>	<b>–67,819</b>	<b>–78,660</b>	<b>–551</b>	<b>84,431</b>	<b>118,038</b>	<b>55,439</b>
<b>Cumulative exposure</b>	<b>–67,819</b>	<b>–146,479</b>	<b>–147,030</b>	<b>–62,599</b>	<b>55,439</b>	<b>—</b>

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## Maturity analysis for assets and liabilities, cont.

31 Dec 2011, EURm <sup>1</sup>	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	40,862	118,224	50,660	180,789	234,269	624,804
Non interest-bearing financial assets	—	—	—	—	227,040	227,040
<b>Total financial assets</b>	<b>40,862</b>	<b>118,224</b>	<b>50,660</b>	<b>180,789</b>	<b>461,309</b>	<b>851,844</b>
Interest-bearing financial liabilities	125,697	172,991	37,260	83,343	46,046	465,337
Non interest-bearing financial liabilities	573	571	1,102	6,946	315,793	324,985
<b>Total financial liabilities</b>	<b>126,270</b>	<b>173,562</b>	<b>38,362</b>	<b>90,289</b>	<b>361,839</b>	<b>790,322</b>
Derivatives, cash inflow	—	472,043	237,136	258,547	80,731	1,048,457
Derivatives, cash outflow	—	498,215	232,090	241,188	75,374	1,046,867
<b>Net exposure</b>	<b>—</b>	<b>-26,172</b>	<b>5,046</b>	<b>17,359</b>	<b>5,357</b>	<b>1,590</b>
<b>Exposure</b>	<b>-85,408</b>	<b>-81,510</b>	<b>17,344</b>	<b>107,859</b>	<b>104,827</b>	<b>63,112</b>
<b>Cumulative exposure</b>	<b>-85,408</b>	<b>-166,918</b>	<b>-149,574</b>	<b>-41,715</b>	<b>63,112</b>	<b>—</b>

1) The figures have been restated to ensure consistency between the periods.

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are combined for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting

to EUR 84,914m (EUR 85,319m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 18,844m (EUR 21,627m) which may lead to future cash outflows if certain events occur. For further information about remaining maturity, see also the section of Risk, Liquidity and Capital management.

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## Related-party transactions

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

EURm	Associated undertakings		Other related parties <sup>1</sup>	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<b>Assets</b>				
Loans	342	275	0	12
Interest-bearing securities	11	14	—	—
Derivatives	304	246	—	—
Investments in associated undertakings	585	591	—	—
<b>Total assets</b>	<b>1,242</b>	<b>1,126</b>	<b>0</b>	<b>12</b>
<b>Liabilities</b>				
Deposits	165	71	47	44
Debt securities in issue	39	30	—	—
Derivatives	4	93	—	—
<b>Total liabilities</b>	<b>208</b>	<b>194</b>	<b>47</b>	<b>44</b>
<b>Off balance<sup>2</sup></b>	<b>9,997</b>	<b>10,519</b>	<b>—</b>	<b>—</b>

EURm	Associated undertakings		Other related parties <sup>1</sup>	
	2012	2011	2012	2011
Net interest income	6	7	0	0
Net fee and commission income	4	1	1	1
Net result from items at fair value	121	31	—	—
Other operating income	0	0	—	—
Total operating expenses	-11	-9	—	—
<b>Profit before loan losses</b>	<b>120</b>	<b>30</b>	<b>1</b>	<b>1</b>

### Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7.

### Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the negative fair value of the contract as of the balance sheet date amounts to approx. EUR 7m. The agreement's expiring date corresponds with the maturity dates of the bonds included in the guarantee. The latest maturity is on 31 December 2023.

In 2009 Nordea entered into one transaction with a company under significant influence by a member of key management personnel, which is disclosed separately in this note due to the transaction's significance for the related company. The related company has a credit limit of EUR 26m, of which EUR 14m was utilised as of 31 December 2012. The latest maturity is 31 December 2013, with the possibility of yearly prolongation after a new credit review. Nordea has collateral in securities (shares) corresponding to 200 percent of the utilised credit limit. The transaction is made on the same criteria and terms as those for comparable transactions with companies of similar standing.

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

2) Including nominal values on derivatives.

## G47

## Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors' Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2012, which is available on [www.nordea.com](http://www.nordea.com). Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report.

The Pillar III report contains the disclosures required by the Capital Requirements Directive (CRD), which is based on the Basel II framework. The Pillar III disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea. Credit risk exposures occur in different forms and are divided into the following types:

Exposure types, EURm	31 Dec 2012	31 Dec 2011
On-balance sheet items	428,192	419,603
Off-balance sheet items	47,966	51,719
Securities financing	2,170	2,084
Derivatives	34,263	42,959
<b>Exposure At Default (EAD)</b>	<b>512,591</b>	<b>516,365</b>

Tables presented in this note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

#### Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined the CRD. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRD, credit risk exposure presented in this note is divided between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report, are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities)
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit)

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

#### On-balance sheet items

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

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

#### Off-balance sheet items

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

- Life insurance operations (due to solvency regulation).
- Assets pledged as security for own liabilities and Other assets pledged (apart from leasing). These transactions are reported as, securities financing. (i.e. a separate exposure type)
- Derivatives

#### Derivatives and securities financing

Derivatives can be both on-balance sheet (i.e. positive fair value) and off-balance (i.e. nominal amounts) in accordance with accounting standards. However, in the CRD, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRD calculations these exposure types are determined net of the collateral value.

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## Credit risk disclosures, cont.

## On-balance sheet items

31 Dec 2012, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Life insurance operations	Other	Balance sheet
Cash and balances with central banks	36,059	—	—	1	—	36,060
Interest-bearing securities and pledged instruments	57,109	22,680	—	23,120	—	102,909
Loans to credit institutions and central banks	10,431	—	8,146	2	-5	18,574
Loans to the public	318,029	4,502	26,178	571	-3,029	346,251
Derivatives <sup>1</sup>	—	—	118,660	129	—	118,789
Intangible assets	—	—	—	332	3,093	3,425
Other assets and prepaid expenses	7,185	20,067	55	23,480	625	51,412
<b>Total assets</b>	<b>428,813</b>	<b>47,249</b>	<b>153,039</b>	<b>47,635</b>	<b>684</b>	<b>677,420</b>
<b>Exposure at default<sup>2</sup></b>	<b>428,192</b>					

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

2) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

31 Dec 2011, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Life insurance operations	Other	Balance sheet
Cash and balances with central banks	3,764	—	—	1	—	3,765
Interest-bearing securities and pledged instruments	51,308	26,019	—	23,419	—	100,746
Loans to credit institutions and central banks	45,789	—	5,513	—	563	51,865
Loans to the public	312,288	—	26,784	878	-2,747	337,203
Derivatives <sup>1</sup>	—	—	171,929	14	—	171,943
Intangible assets	—	—	—	335	2,986	3,321
Other assets and prepaid expenses	6,693	20,122	30	20,073	443	47,361
<b>Total assets</b>	<b>419,842</b>	<b>46,141</b>	<b>204,256</b>	<b>44,720</b>	<b>1,245</b>	<b>716,204</b>
<b>Exposure at default<sup>2</sup></b>	<b>419,603</b>					

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

2) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

## Off-balance sheet items

31 Dec 2012, EURm	Credit risk in Basel II calculation	Life insurance operations	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	21,106	51	0	21,157
Commitments	85,507	661	40	86,208
<b>Total</b>	<b>106,613</b>	<b>712</b>	<b>40</b>	<b>107,365</b>

31 Dec 2012, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	52,925	85	53,009	48%	25,525
Checking accounts	20,540	4,198	24,738	22%	5,540
Loan commitments	11,704	2,722	14,426	32%	4,589
Guarantees	20,024	1	20,025	60%	11,925
Other	1,420	20	1,440	27%	387
<b>Total</b>	<b>106,613</b>	<b>7,026</b>	<b>113,638</b>		<b>47,966</b>

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## Credit risk disclosures, cont.

31 Dec 2011, EURm	Credit risk in Basel II calculation	Life insurance operations	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	24,292	176	—	24,468
Commitments	85,773	201	996	86,970
<b>Total</b>	<b>110,065</b>	<b>377</b>	<b>996</b>	<b>111,438</b>

31 Dec 2011, EURm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	47,600	5,557	53,157	48%	25,343
Checking accounts	25,038	—	25,038	23%	5,636
Loan commitments	13,112	1,674	14,786	41%	6,085
Guarantees	23,114	1	23,115	62%	14,315
Other	1,201	—	1,201	28%	340
<b>Total</b>	<b>110,065</b>	<b>7,232</b>	<b>117,297</b>		<b>51,719</b>

As of year-end 2012, 78% of the total credit risk exposure was calculated using the IRB approach. The main part of the exposure is within the IRB corporate and IRB retail portfolios. During 2012, a slight decrease was seen on total exposure level primarily due to decrease of the corporate and institutions portfolios. The largest shift in total exposures is related

to on-balance sheet exposures in the corporate portfolio, which carried a risk weight of 100% before the rollout to the IRB approach. Therefore the largest decrease in RWA is related to the corporate portfolio in the standardise portfolio. Derivative exposures, especially within the institutions portfolio, significantly decreased during the year.

## Exposure classes split by exposure type

31 Dec 2012, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	73,757	2,041	108	3,851	79,757
Institutions	42,084	1,748	1,388	20,417	65,637
Corporate	138,959	35,088	672	9,639	184,358
Retail	159,032	9,052	2	77	168,163
Other	14,360	37	0	279	14,676
<b>Total exposure</b>	<b>428,192</b>	<b>47,966</b>	<b>2,170</b>	<b>34,263</b>	<b>512,591</b>

31 Dec 2011, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	72,815	1,866	227	2,727	77,635
Institutions	42,209	1,990	1,159	28,338	73,696
Corporate	138,686	37,005	688	11,531	187,910
Retail	155,261	10,841	—	121	166,223
Other	10,632	17	10	242	10,901
<b>Total exposure</b>	<b>419,603</b>	<b>51,719</b>	<b>2,084</b>	<b>42,959</b>	<b>516,365</b>

Nordea is geographically well diversified as no market accounts for more than 26% of the total exposure. The exposure in Sweden and Finland represents 25% and 26% of the total exposure in the Group respectively, while Denmark accounts for 22% and Norway 16%.

The increase in corporate IRB exposures is mainly referable to International Units and the Baltic countries where some exposures moved from the standardised approach to the IRB approach. The increase in the IRB retail portfolio was largely due

to increased lending to the Nordic countries.

In Finland, the decrease in the IRB portfolio is attributable to lower institution and corporate exposures. For institutions the decrease is a result of decreased derivative exposures. In all other countries the total IRB exposures increased compared to previous year.

In the table below, exposure is split by geography areas, based on where the exposure is booked and does not take the internal guarantees between the parent company and its group undertakings into account.

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## Credit risk disclosures, cont.

## Exposure split by geography and exposure classes

31 Dec 2012, EURm	Nordic countries	– of which Denmark	– of which Finland	– of which Norway	– of which Sweden	Baltic countries	Poland	Russia	Other	Total
Government, local authorities and central banks	59,147	13,304	27,483	5,245	13,115	986	1,816	464	17,344	79,757
Institutions	61,529	6,382	30,282	7,899	16,966	83	1,152	200	2,673	65,637
Corporate	160,002	38,579	39,148	36,926	45,349	5,814	2,040	4,614	11,888	184,358
Retail	167,088	52,103	35,219	32,094	47,672	766	179	46	84	168,163
Other	6,971	1,853	1,636	525	2,957	2,227	4,272	716	490	14,676
<b>Total exposure</b>	<b>454,737</b>	<b>112,221</b>	<b>133,768</b>	<b>82,689</b>	<b>126,059</b>	<b>9,876</b>	<b>9,459</b>	<b>6,040</b>	<b>32,479</b>	<b>512,591</b>

31 Dec 2011, EURm	Nordic countries	– of which Denmark	– of which Finland	– of which Norway	– of which Sweden	Baltic countries	Poland	Russia	Other	Total
Government, local authorities and central banks	62,874	12,094	32,515	5,693	12,572	833	1,798	607	11,523	77,635
Institutions	69,297	5,890	36,979	6,698	19,730	240	924	117	3,118	73,696
Corporate	165,040	39,378	44,263	36,182	45,217	4,466	1,831	4,603	11,970	187,910
Retail	161,018	51,231	34,541	30,783	44,463	1,025	4,060	49	71	166,223
Other	6,326	1,690	1,551	379	2,706	2,470	298	1,174	633	10,901
<b>Total exposure</b>	<b>464,555</b>	<b>110,283</b>	<b>149,849</b>	<b>79,735</b>	<b>124,688</b>	<b>9,034</b>	<b>8,911</b>	<b>6,550</b>	<b>27,315</b>	<b>516,365</b>

In the table below, the total exposure is split by industry. The industry breakdown follows the Global Industries Classification Standard (GICS) and is based on NACE codes (i.e. statistical classification of economic activities in the European community).

The IRB corporate portfolio is well diversified between industries. The real estate management and investment sector is the largest sector which together with other financial institutions

are the only sectors that account for more than 5% of the total exposure of EUR 513bn. During the year, the exposure class IRB institution increased exposures to other financial institutions and decreased exposures to banks. The largest relative decrease is found within the industry telecommunication equipment while the highest relative increase showed up within IT software, hardware and services. The largest nominal increase and decrease appeared in retail mortgage and banks respectively.

## Exposure split by industry group

EURm	31 Dec 2012	31 Dec 2011
Retail mortgage	137,828	127,488
Other retail	34,671	39,111
Central and local governments	37,312	36,141
Banks	85,062	94,411
Construction and engineering	5,863	5,893
Consumer durables (cars, appliances etc)	5,385	5,651
Consumer staples (food, agriculture etc)	14,124	12,621
Energy (oil, gas etc)	4,754	4,433
Health care and pharmaceuticals	2,412	2,635
Industrial capital goods	5,344	5,840
Industrial commercial services	16,692	19,636
IT software, hardware and services	1,944	1,598
Media and leisure	3,059	2,973
Metals and mining materials	1,111	1,289
Paper and forest materials	3,168	3,529
Real estate management and investment	46,461	45,036
Retail trade	13,308	13,617
Shipping and offshore	14,083	13,441
Telecommunication equipment	453	622
Telecommunication operators	2,002	2,080
Transportation	4,859	4,711
Utilities (distribution and production)	8,716	8,685
Other financial companies	35,927	35,804
Other materials (chemical, building materials etc)	7,150	7,613
Other	20,903	21,507
<b>Total exposure</b>	<b>512,591</b>	<b>516,365</b>

## G47

## Credit risk disclosures, cont.

The guarantees used as credit risk mitigation are to a large extent issued by central and regional governments in the Nordic countries. Banks and insurance companies are also important guarantors of credit risk. Only eligible providers of guarantees and credit derivatives can be recognised in the standardised and IRB approach for credit risk. All central governments, regional governments and institutions are eligible as well as some multinational development banks and international organisations. Guarantees issued by corporate entities can only be taken into account if their rating corre-

sponds to A– (S&P's rating scale) or better.

Central governments and municipalities guarantee approximately 83% of the total guaranteed exposure. Exposure guarantee by these guarantors has an average risk weight of 0%. 6% of the guarantors are IRB institutions, of which 100% have a rating of 5 or higher. IRB corporate accounts for 11% of the guarantors, where 100% have a guarantor with a rating of 5 or higher. Credit derivatives are only used as credit risk protection to a very limited extent since the credit portfolio is considered to be well diversified.

## Exposure secured by collaterals, guarantees and credit derivatives

	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
<b>31 Dec 2012, EURm</b>				
Government, local authorities and central banks	77,423	79,757	437	1
Institutions	67,552	65,637	427	7,642
Corporate	238,863	184,358	8,471	64,608
Retail	179,828	168,163	3,017	130,955
Other	15,410	14,676	2	7,353
<b>Total exposure</b>	<b>579,076</b>	<b>512,591</b>	<b>12,354</b>	<b>210,559</b>

	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
<b>31 Dec 2011, EURm</b>				
Government, local authorities and central banks	74,474	77,635	290	2
Institutions	76,428	73,696	532	6,387
Corporate	242,455	187,910	7,812	58,473
Retail	177,118	166,223	3,062	124,971
Other	11,709	10,901	2	3,473
<b>Total exposure</b>	<b>582,184</b>	<b>516,365</b>	<b>11,698</b>	<b>193,306</b>

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate to be the major part of the eligible collateral items in relative terms. Financial collateral saw the largest relative increase. Commercial real estate and other physical collateral also increased during the year while residential real estate and receivables

decreased somewhat in relative terms. Real estate is commonly used as collateral for credit risk mitigation purposes. There is no certain concentration of real estate collateral to any region within the Nordic and Baltic countries. Other physical collateral consist mainly of ships.

## Collateral distribution

	31 Dec 2012	31 Dec 2011
Financial Collateral	4.7%	4.1%
Receivables	1.2%	1.2%
Residential Real Estate	70.7%	71.5%
Commercial Real Estate	17.5%	17.3%
Other Physical Collateral	6.0%	5.9%

## G47

## Credit risk disclosures, cont.

A common way to analyse the value of the collateral is to measure the loan to value (LTV) ratio, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by

LTV range up to the top LTV bucket based on the LTV ratio. In 2012, the retail mortgage exposure increased in the LTV buckets representing LTV below 50%.

## Loan-to-value distribution

Retail mortgage exposure	31 Dec 2012		31 Dec 2011 <sup>1</sup>	
	EURbn	%	EURbn	%
<50%	97.4	77	92.0	77
50–70%	20.7	16	19.5	16
70–80%	5.6	4	5.3	4
80–90%	2.3	2	2.2	2
>90%	1.2	1	1.2	1
<b>Total</b>	<b>127.2</b>	<b>100</b>	<b>120.1</b>	<b>100</b>

1) During 2012, Nordea changed method for calculation LTV. This was done in order to obtain a consistent method across the group. As a result, figures for 2011 above has been restated.

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

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

Collateralised Debt Obligations (CDO) – Exposure<sup>1</sup>

Nominal, EURm	31 Dec 2012		31 Dec 2011	
	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	1,833	2,816	1,575	2,792
Hedged exposures	1,442	1,444	1,394	1,394
<b>CDOs, net<sup>2</sup></b>	<b>391<sup>3</sup></b>	<b>1,372<sup>3</sup></b>	<b>181<sup>3</sup></b>	<b>1,398<sup>4</sup></b>
– of which Equity	53	361	114	385
– of which Mezzanine	80	386	65	400
– of which Senior	258	625	2	613

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 214m (EUR 218m) and net sold protection to EUR 50m (EUR 53m). Both bought and sold protection are, to the predominant part, investment grade.

2) Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.

3) Of which investment grade EUR 207m (EUR 181m) and sub investment grade EUR 183m (EUR 0m).

4) Of which investment grade EUR 1,024m (EUR 1,279m) and sub investment grade EUR 150m (EUR 22m) and not rated EUR 220m (EUR 167m).

Restructured loans and receivables current year<sup>1</sup>

EURm	31 Dec 2012	31 Dec 2011
Loans before restructuring, carrying amount	13	81
Loans after restructuring, carrying amount	6	37

1) Loans classified as impaired that subsequently have improved and are not classified as impaired at the reporting date.

Assets taken over for protection of claims<sup>1</sup>

EURm	31 Dec 2012	31 Dec 2011
Current assets, carrying amount:		
Land and buildings	142	105
Shares and other participations	18	26
Other assets	5	6
<b>Total</b>	<b>165</b>	<b>137</b>

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

## G47

## Credit risk disclosures, cont.

The table below shows loans past due 6 days or more that are not considered impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2012 EUR 1,929 up from

EUR 1,443m one year ago, while past due loans for household customers stayed largely unchanged at EUR 1,773m (EUR 1,754m).

## Past due loans, excl. impaired loans

EURm	31 Dec 2012		31 Dec 2011	
	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	1,157	1,168	920	991
31–60 days	358	315	186	329
61–90 days	80	137	114	127
>90 days	334	153	222	306
<b>Total</b>	<b>1,929</b>	<b>1,773</b>	<b>1,442</b>	<b>1,753</b>
Past due not impaired loans divided by loans to the public after allowances, %	1.06	1.12	0.85	1.25

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where

approximately 69% (67%) of the corporate volume represents loans up to EUR 50m per customer.

## Loans to corporate customers, by size of loan

Size in EURm	31 Dec 2012		31 Dec 2011	
	Loans EUR bn	%	Loans EURbn	%
0–10	78.9	43	75.6	42
10–50	46.2	25	44.9	25
50–100	21.8	12	21.6	12
100–250	25.1	14	24.0	13
250–500	8.8	5	13.2	7
500–	2.0	1	1.9	1
<b>Total</b>	<b>182.8</b>	<b>100</b>	<b>181.2</b>	<b>100</b>

## Interest-bearing securities and Treasury bills

EURm	31 Dec 2012			31 Dec 2011		
	At fair value	At amortised cost	Total	At fair value	At amortised cost	Total
State and sovereigns	20,547	280	20,827	22,165	343	22,508
Municipalities and other public bodies	5,192	802	5,994	5,217	431	5,648
Mortgage institutions	33,061	1,815	34,876	27,362	2,669	30,031
Other credit institutions	21,719	3,815	25,534	20,110	4,458	24,568
Corporates	4,280	540	4,820	5,350	392	5,742
Corporates, sub-investment grade	794	—	794	784	—	784
Other	2,094	—	2,094	3,092	—	3,092
<b>Total</b>	<b>87,687</b>	<b>7,252</b>	<b>94,939</b>	<b>84,080</b>	<b>8,293</b>	<b>92,373</b>

# Financial statements Parent company

# Financial statements, Parent company

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# Income statement, Parent company

EURm	Note	2012	2011
<b>Operating income</b>			
Interest income		2,656	2,626
Interest expense		-1,932	-1,946
<b>Net interest income</b>	P3	<b>724</b>	<b>680</b>
Fee and commission income		853	777
Fee and commission expense		-230	-217
<b>Net fee and commission income</b>	P4	<b>623</b>	<b>560</b>
Net result from items at fair value	P5	189	234
Dividends	P6	3,554	1,534
Other operating income	P7	501	122
<b>Total operating income</b>		<b>5,591</b>	<b>3,130</b>
<b>Operating expenses</b>			
General administrative expenses:			
Staff costs	P8	-938	-823
Other expenses	P9	-842	-561
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P23, P24	-105	-112
<b>Total operating expenses</b>		<b>-1,885</b>	<b>-1,496</b>
<b>Profit before loan losses</b>		<b>3,706</b>	<b>1,634</b>
Net loan losses	P11	-19	-20
Impairment of securities held as financial non-current assets	P21	-15	-9
<b>Operating profit</b>		<b>3,672</b>	<b>1,605</b>
Appropriations	P12	-103	1
Income tax expense	P13	-95	-114
<b>Net profit for the year</b>		<b>3,474</b>	<b>1,492</b>

# Statement of comprehensive income, Parent company

EURm	2012	2011
<b>Net profit for the year</b>	<b>3,474</b>	<b>1,492</b>
<b>Items that may be reclassified subsequently to the income statement</b>		
Available-for-sale investments: <sup>1</sup>		
Valuation gains/losses during the year	30	8
Tax on valuation gains/losses during the year	-6	-2
Cash flow hedges:		
Valuation gains/losses during the year	179	-27
Tax on valuation gains/losses during the year	-48	7
Transferred to profit or loss for the year	-176	—
Tax on transfers to profit or loss for the year	46	—
<b>Other comprehensive income, net of tax</b>	<b>25</b>	<b>-14</b>
<b>Total comprehensive income</b>	<b>3,499</b>	<b>1,478</b>

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

# Balance sheet, Parent company

EURm	Note	31 Dec 2012	31 Dec 2011
<b>Assets</b>			
Cash and balances with central banks		180	152
Treasury bills	P14	5,092	3,730
Loans to credit institutions	P15	68,006	59,379
Loans to the public	P15	36,214	36,421
Interest-bearing securities	P16	11,594	14,584
Financial instruments pledged as collateral	P17	104	1,237
Shares	P18	4,742	1,135
Derivatives	P19	5,852	4,339
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	-1,157	-632
Investments in group undertakings	P21	17,659	16,713
Investments in associated undertakings	P22	8	5
Intangible assets	P23	670	658
Property and equipment	P24	121	81
Deferred tax assets	P13	19	26
Current tax assets	P13	41	12
Other assets	P25	1,713	2,262
Prepaid expenses and accrued income	P26	1,272	1,279
<b>Total assets</b>		<b>152,130</b>	<b>141,381</b>
<b>Liabilities</b>			
Deposits by credit institutions	P27	19,342	22,441
Deposits and borrowings from the public	P28	50,263	44,389
Debt securities in issue	P29	48,285	45,367
Derivatives	P19	4,166	3,014
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	16	147
Current tax liabilities	P13	3	71
Other liabilities	P30	1,635	1,776
Accrued expenses and prepaid income	P31	1,468	851
Deferred tax liabilities	P13	8	2
Provisions	P32	148	90
Retirement benefit obligations	P33	182	153
Subordinated liabilities	P34	7,131	6,154
<b>Total liabilities</b>		<b>132,647</b>	<b>124,455</b>
<b>Untaxed reserves</b>	P35	<b>108</b>	<b>5</b>
<b>Equity</b>			
Share capital		4,050	4,047
Share premium reserve		1,080	1,080
Other reserves		12	-13
Retained earnings		14,233	11,807
<b>Total equity</b>		<b>19,375</b>	<b>16,921</b>
<b>Total liabilities and equity</b>		<b>152,130</b>	<b>141,381</b>
Assets pledged as security for own liabilities	P36	4,230	3,530
Other assets pledged	P37	6,225	7,264
Contingent liabilities	P38	86,292	24,720
Commitments	P39	26,270	25,098

# Statement of changes in equity, Parent company

EURm	Restricted equity	Unrestricted equity <sup>1</sup>				
	Share capital	Share premium reserve	Other reserves:			Total equity
			Cash flow hedges	Available-for-sale investments	Retained earnings	
<b>Balance at 1 Jan 2012</b>	<b>4,047</b>	<b>1,080</b>	<b>-20</b>	<b>7</b>	<b>11,807</b>	<b>16,921</b>
Net profit for the year	—	—	—	—	3,474	3,474
Available-for-sale investments:						
Valuation gains/losses during the year	—	—	—	30	—	30
Tax on valuation gains/losses during the year	—	—	—	-6	—	-6
Cash flow hedges:						
Valuation gains/losses during the year	—	—	179	—	—	3
Tax on valuation gains/losses during the year	—	—	-48	—	—	-2
Transferred to profit or loss for the year	—	—	-176	—	—	—
Tax on transfers to profit or loss for the year	—	—	46	—	—	—
Other comprehensive income, net of tax	—	—	1	24	—	25
Total comprehensive income	—	—	1	24	3,474	3,499
Issued C-shares <sup>2</sup>	3	—	—	—	—	3
Repurchase of C-shares <sup>2</sup>	—	—	—	—	-3	-3
Share-based payments	—	—	—	—	13	13
Dividend for 2011	—	—	—	—	-1,048	-1,048
Repurchases of own shares	—	—	—	—	-10	-10
<b>Balance at 31 Dec 2012</b>	<b>4,050</b>	<b>1,080</b>	<b>-19</b>	<b>31</b>	<b>14,233</b>	<b>19,375</b>
<b>Balance at 1 Jan 2011</b>	<b>4,043</b>	<b>1,065</b>	<b>—</b>	<b>1</b>	<b>11,471</b>	<b>16,580</b>
Net profit for the year	—	—	—	—	1,492	1,492
Available-for-sale investments:						
Valuation gains/losses during the year	—	—	—	8	—	8
Tax on valuation gains/losses during the year	—	—	—	-2	—	-2
Cash flow hedges:						
Valuation gains/losses during the year	—	—	-27	—	—	-27
Tax on valuation gains/losses during the year	—	—	7	—	—	7
Other comprehensive income, net of tax	—	—	-20	6	—	-14
Total comprehensive income	—	—	-20	6	1,492	1,478
Issued C-shares <sup>2</sup>	4	—	—	—	—	4
Repurchase of C-shares <sup>2</sup>	—	—	—	—	-4	-4
Share-based payments	—	—	—	—	11	11
Dividend for 2010	—	—	—	—	-1,168	-1,168
Divestment of own shares	—	—	—	—	5	5
Other changes	—	15 <sup>3</sup>	—	—	—	15
<b>Balance at 31 Dec 2011</b>	<b>4,047</b>	<b>1,080</b>	<b>-20</b>	<b>7</b>	<b>11,807</b>	<b>16,921</b>

1) Apart from retained earnings, unrestricted equity consists of a free fund to the amount of EUR 2,762m (31 Dec 2011 EUR 2,762m).

2) Refers to the Long Term Incentive Programme (LTIP). LTIP 2012 was hedged by issuing 2,679,168 C-shares (LTIP 2011 4,730,000, the shares have been bought back and converted to ordinary shares. The total holding of own shares related to LTIP is 20.3 million (31 Dec 2011 18.2 million).

3) In connection to the rights issue in 2009 an assessment was made on the VAT Nordea would have to pay on the transaction costs. This assessment has been changed in 2011 based on new tax law.

Description of items in equity is included in Note G1 Accounting policies.

**Share capital**

	Quota value per share, EUR	Total number of shares	Share capital, EUR
<b>Balance at 1 Jan 2011</b>	<b>1.0</b>	<b>4,042,542,751</b>	<b>4,042,542,751</b>
New issue <sup>1</sup>	1.0	4,730,000	4,730,000
<b>Balance at 31 Dec 2011</b>	<b>1.0</b>	<b>4,047,272,751</b>	<b>4,047,272,751</b>
New issue <sup>1</sup>	1.0	2,679,168	2,679,168
<b>Balance at 31 Dec 2012</b>	<b>1.0</b>	<b>4,049,951,919</b>	<b>4,049,951,919</b>

1) Refers to the Long Term Incentive Programme (LTIP).

**Dividends per share**

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 14 March 2013, a dividend in respect of 2012 of EUR 0.34 per share (2011 actual dividend EUR 0.26 per share) amount-

ing to a total of EUR 1,370,092,365 (2011 actual: EUR 1,047,546,038) is to be proposed. The financial statements for the year ended 31 December 2012 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2013.

# Cash flow statement, Parent company

EURm	2012	2011
<b>Operating activities</b>		
Operating profit	3,672	1,605
Adjustment for items not included in cash flow	48	-1,109
Income taxes paid	-180	-166
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>3,540</b>	<b>330</b>
<b>Changes in operating assets</b>		
Change in treasury bills	-1,377	1,401
Change in loans to credit institutions	-9,001	-8,644
Change in loans to the public	164	-2,663
Change in interest-bearing securities	2,207	-1,301
Change in financial assets pledged as collateral	1,133	4,923
Change in shares	-3,615	-876
Change in derivatives, net	249	-283
Change in other assets	1,320	1,732
<b>Changes in operating liabilities</b>		
Change in deposits by credit institutions	-3,100	-6,202
Change in deposits and borrowings from the public	5,874	4,768
Change in debt securities in issue	2,918	11,943
Change in other liabilities	-165	-2,682
<b>Cash flow from operating activities</b>	<b>147</b>	<b>2,446</b>
<b>Investing activities</b>		
Shareholder's contributions to group undertakings	-935	—
Sale of business operations	—	2
Acquisition of associated undertakings	-3	-1
Acquisition of property and equipment	-64	-32
Sale of property and equipment	0	1
Acquisition of intangible assets	-95	-74
Sale of intangible assets	1	—
Net investments in debt securities, held to maturity	1,119	2,841
Purchase of other financial fixed assets	-335	-279
<b>Cash flow from investing activities</b>	<b>-312</b>	<b>2,458</b>
<b>Financing activities</b>		
Issued subordinated liabilities	1,495	957
Amortised subordinated liabilities	-618	-2,160
New share issue	3	19
Repurchase/divestment of own shares incl change in trading portfolio	-13	1
Dividend paid	-1,048	-1,168
<b>Cash flow from financing activities</b>	<b>-181</b>	<b>-2,351</b>
<b>Cash flow for the year</b>	<b>-346</b>	<b>2,553</b>
Cash and cash equivalents at the beginning of year	8,052	5,499
Translation difference	0	0
Cash and cash equivalents at the end of year	7,706	8,052
<b>Change</b>	<b>-346</b>	<b>2,553</b>

**Comments on the cash flow statement**

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

**Operating activities**

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

EURm	2012	2011
Depreciation	95	110
Impairment charges	25	11
Loan losses	42	41
Unrealised gains/losses	-563	-832
Capital gains/losses (net)	0	0
Change in accruals and provisions	690	-89
Anticipated dividends	-468	-1,055
Group contributions	-303	-355
Translation differences	-72	86
Change in fair value of the hedged items, assets/liabilities (net)	566	962
Other	36	12
<b>Total</b>	<b>48</b>	<b>-1,109</b>

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

EURm	2012	2011
Interest payments received	2,823	2,502
Interest expenses paid	1,852	1,820

**Investing activities**

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

**Financing activities**

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

**Cash and cash equivalents**

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2012	31 Dec 2011
Cash and balances with central banks	180	152
Loans to credit institutions, payable on demand	7,526	7,900
<b>Total</b>	<b>7,706</b>	<b>8,052</b>

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

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

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

# 5 year overview, Parent company

## Income statement

EURm	2012	2011	2010	2009	2008
Net interest income	724	680	584	666	523
Net fee and commission income	623	560	571	456	468
Net result from items at fair value	189	234	157	152	-13
Dividends	3,554	1,534	2,203	973	2,063
Other income	501	122	123	123	190
<b>Total operating income</b>	<b>5,591</b>	<b>3,130</b>	<b>3,638</b>	<b>2,370</b>	<b>3,231</b>
General administrative expenses:					
Staff costs	-938	-823	-745	-644	-676
Other expenses	-842	-561	-526	-443	-473
Depreciation, amortisation and impairment charges of tangible and intangible assets	-105	-112	-112	-106	-103
<b>Total operating expenses</b>	<b>-1,885</b>	<b>-1,496</b>	<b>-1,383</b>	<b>-1,193</b>	<b>-1,252</b>
<b>Profit before loan losses</b>	<b>3,706</b>	<b>1,634</b>	<b>2,255</b>	<b>1,177</b>	<b>1,979</b>
Net loan losses	-19	-20	-33	-165	-80
Impairment of securities held as financial non-current assets	-15	-9	-105	—	-26
<b>Operating profit</b>	<b>3,672</b>	<b>1,605</b>	<b>2,117</b>	<b>1,012</b>	<b>1,873</b>
Appropriations	-103	1	0	-3	4
Income tax expense	-95	-114	-115	-24	11
<b>Net profit for the year</b>	<b>3,474</b>	<b>1,492</b>	<b>2,002</b>	<b>985</b>	<b>1,888</b>

## Balance sheet

EURm	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Treasury bills and interest-bearing securities	16,686	18,314	20,706	20,675	12,178
Loans to credit institutions	68,006	59,379	48,151	43,501	43,855
Loans to the public	36,214	36,421	33,800	28,860	29,240
Investments in group undertakings	17,659	16,713	16,690	16,165	15,866
Other assets	13,565	10,554	14,458	9,125	11,895
<b>Total assets</b>	<b>152,130</b>	<b>141,381</b>	<b>133,805</b>	<b>118,326</b>	<b>113,034</b>
Deposits by credit institutions	19,342	22,441	28,644	30,187	34,713
Deposits and borrowings from the public	50,263	44,389	39,620	34,617	33,457
Debt securities in issue	48,285	45,367	33,424	22,119	17,949
Subordinated liabilities	7,131	6,154	7,135	6,605	6,829
Other liabilities/untaxed reserves	7,734	6,109	8,402	9,298	7,615
Equity	19,375	16,921	16,580	15,500	12,471
<b>Total liabilities and equity</b>	<b>152,130</b>	<b>141,381</b>	<b>133,805</b>	<b>118,326</b>	<b>113,034</b>

## P1

## Accounting policies

**Basis for presentation**

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and IFRS with the amendments and exceptions following the recommendation RFR 2 "Accounting for Legal Entities" issued by the Swedish Financial Reporting Board and the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25, with amendments in FFS 2009:11 and 2011:54). Under RFR 2, the parent company shall apply all standards and interpretations issued by the IASB and IFRS IC to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation. The recommendation sets out the exceptions and amendments compared to IFRS.

The Group's accounting policies described in Note G1 "Accounting policies" are applicable also for the parent company, considering also the information provided below.

**Changed accounting policies and presentation**

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2011 Annual Report, mainly apart from the categorisation of commissions within Note P4 "Net fee and commission income" and the definition of impaired loans in Note P15 "Loans and impairment". These changes are further described below.

More information on changes in IFRSs implemented in 2012, which have not had any significant impact on the parent company, as well as on forthcoming changes in IFRSs not yet implemented by Nordea, can be found in section 2 "Changed accounting policies and presentation" and section 3 "Changes in IFRSs not yet applied by Nordea" in Note G1 "Accounting policies". The conclusions within these sections are, where applicable, relevant also for the parent company.

**Definition of impaired loans**

The definition of impaired loans has been changed and the disclosure includes all loans that have, as a consequence of identified loss event, been written down either individually, for individually significant loans, or as part of a portfolio, for individually insignificant loans.

This definition of impaired loans provides more granular information of the loans actually impaired.

The income statement and balance sheet are unaffected by this change. The comparative figures have been restated accordingly and are disclosed in the below table.

EURm	31 Dec 2011	
	New policy	Old policy
Impaired loans	366	315
– Performing	245	254
– Non-performing	121	61

**Categorisation of commissions**

The categorisation of commission within "Net fee and commission income" has been improved by merging similar types of commissions. Commissions received for securities issues, corporate financial activities and issuer services were reclassified from "Payments" and "Other commission income" to the renamed lines "Brokerage, securities issues and corporate finance" and "Custody and issue services". This categorisation

better describes the types of commission recognised in the income statement. The comparable figures have been restated accordingly and are disclosed in the below table.

EURm	Jan–Dec 2011	
	New policy	Old policy
Brokerage, securities issues and corporate finance	116	104
Custody and issuer services	17	11
Payments	106	121
Other commissions income	42	45

**Accounting policies applicable for the parent company only****Investments in group undertakings and associated undertakings**

The parent company's investments in group undertakings and associated undertakings are recognised under the cost model. Impairment tests are performed according to IAS 36 "Impairment of Assets". At each balance sheet date, all shares in group undertakings and associated undertakings are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment of securities held as financial non-current assets" in the income statement.

**Dividends**

Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend and if the formal decision has been made before the financial report is published. Dividends from group- and associated undertakings are recognised on the separate income line "Dividends".

**Differences compared to IFRS**

The accounting principles applied differ from IFRS mainly in the following aspects:

**Amortisation of goodwill**

Under IAS 38, goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised as any other intangible asset in accordance with the rules set out in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), i.e. normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

**Functional currency**

The functional and presentation currency of Nordea Bank AB (publ) is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 9 "Translation of assets and liabilities denominated in foreign currencies" in Note G1 "Accounting policies".

## P1

## Accounting policies, cont.

**Pensions**

The accounting principle for defined benefit obligations follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases and that all actuarial gains and losses are recognised in the income statement when they occur.

In Sweden, actuarial pension commitments are guaranteed by a pension foundation or recognised as a liability. No net defined benefit assets are recognised. The pension cost in the parent company, classified as "Staff cost" in the income statement, consists of changes in recognised pension provisions (including special wage tax) for active employees, pension

benefits paid, contributions made to or received from the pension foundation and related special wage tax.

**Group contributions**

Group contributions paid to group undertakings are recognised as an increase in the value of investments in group undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

**Untaxed reserves**

The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

## P2

## Segment reporting

**Geographical information**

	Sweden		Finland <sup>1</sup>		Norway <sup>1</sup>		Denmark <sup>1</sup>		Others <sup>1</sup>		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>EURm</b>												
Net interest income	724	680	—	—	—	—	—	—	—	—	724	680
Net fee and commission income	623	560	—	—	—	—	—	—	—	—	623	560
Net result from items at fair value	189	234	—	—	—	—	—	—	—	—	189	234
Dividends	368	421	3,142	1,018	8	29	7	7	29	59	3,554	1,534
Other Operating income	501	122	—	—	—	—	—	—	—	—	501	122
<b>Total operating income</b>	<b>2,405</b>	<b>2,017</b>	<b>3,142</b>	<b>1,018</b>	<b>8</b>	<b>29</b>	<b>7</b>	<b>7</b>	<b>29</b>	<b>59</b>	<b>5,591</b>	<b>3,130</b>

1) Regards dividends from group undertakings.

## P3

## Net interest income

<b>EURm</b>	2012	2011
<b>Interest income</b>		
Loans to credit institutions	990	950
Loans to the public	1,203	1,164
Interest-bearing securities	405	460
Other interest income	58	52
<b>Interest income</b>	<b>2,656</b>	<b>2,626</b>
<b>Interest expense</b>		
Deposits by credit institutions	-172	-275
Deposits and borrowings from the public	-536	-549
Debt securities in issue	-1,027	-888
Subordinated liabilities	-328	-294
Other interest expenses <sup>1</sup>	131	60
<b>Interest expense</b>	<b>-1,932</b>	<b>-1,946</b>
<b>Net interest income</b>	<b>724</b>	<b>680</b>

1) The net interest income from derivatives, measured at fair value and related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1.

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 2,314m (EUR 2,260m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR -2,089m (EUR -1,990m). Interest on impaired loans amounted to an insignificant portion of interest income.

## P4

## Net fee and commission income

EURm	2012	2011
Asset management commissions	90	90
Life insurance	8	10
Brokerage, securities issues and corporate finance	147	116
Custody and issuers services	14	17
Deposits	29	25
<b>Total savings related commissions</b>	<b>288</b>	<b>258</b>
Payments	111	106
Cards	224	202
<b>Total payment commissions</b>	<b>335</b>	<b>308</b>
Lending	137	133
Guarantees and documentary payment	68	36
<b>Total lending related commissions</b>	<b>205</b>	<b>169</b>
Other commission income	25	42
<b>Fee and commission income</b>	<b>853</b>	<b>777</b>
Savings and investments	-37	-32
Payments	-27	-35
Cards	-116	-102
State guarantee fees	-43	-42
Other commission expenses	-7	-6
<b>Fee and commission expense</b>	<b>-230</b>	<b>-217</b>
<b>Net fee and commission income</b>	<b>623</b>	<b>560</b>

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 167m (EUR 158m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to EUR 245m (EUR 217m). The corresponding amount for fee expenses is EUR -37m (EUR -32m).

## P5

## Net result from items at fair value

EURm	2012	2011
Shares/participations and other share-related instruments	30	45
Interest-bearing securities and other interest-related instruments	87	98
Other financial instruments	41	-6
Foreign exchange gains/losses	31	97
<b>Total</b>	<b>189</b>	<b>234</b>

## Net result from categories of financial instruments

EURm	2012	2011
Financial instruments designated at fair value through profit or loss	17	40
Financial instruments held for trading <sup>1</sup>	144	140
Financial instruments under fair value hedge accounting	-13	7
– of which net losses on hedging instruments	506	901
– of which net gains on hedged items	-519	-894
Financial assets measured at amortised cost	0	—
Financial liabilities measured at amortised cost	0	-8
Foreign exchange gains/losses excluding currency hedges	41	55
Other	0	—
<b>Total</b>	<b>189</b>	<b>234</b>

1) Of which amortised deferred day one profits amounts to EUR 0m (EUR 0m).

## P6

## Dividends

EURm	2012	2011
<b>Dividends</b>		
Nordea Bank Finland Plc	3,125	1,000
Nordea Bank Norge ASA	—	29
Nordea Life Holding AB	18	26
Nordea Investment Management AB	47	40
Nordea Bank S.A Luxembourg	10	40
Nordea Investment Funds Company I SA	19	19
Nordea Investment Funds Company Finland Ltd	17	18
Nordea Ejendomsinvestering A/S	7	7
Nordea Fondene Norge AS	8	0

## Group Contributions

Nordea Hypotek AB	208	302
Nordea Fonder AB	2	28
Nordea Finans AB	93	25
Nordic Baltic Holding AB	0	0
<b>Total</b>	<b>3,554</b>	<b>1,534</b>

## P7

## Other operating income

EURm	2012	2011
Divestment of shares	—	3
Remuneration from group undertakings	439	52
Other	62	67
<b>Total</b>	<b>501</b>	<b>122</b>

## P8

## Staff costs

EURm	2012	2011
Salaries and remuneration (specification below) <sup>1</sup>	-590	-498
Pension costs (specification below)	-144	-110
Social security contributions	-194	-186
Other staff costs	-10	-29
<b>Total</b>	<b>-938</b>	<b>-823</b>

**Salaries and remuneration**To executives<sup>2</sup>

– Fixed compensation and benefits	-6	-6
– Performance-related compensation	-3	-2
– Allocation to profitsharing	0	0
<b>Total</b>	<b>-9</b>	<b>-8</b>
To other employees	-581	-490
<b>Total</b>	<b>-590</b>	<b>-498</b>

- 1) Allocation to profit-sharing foundation 2012 EUR 20m (EUR 4m) consists of a new allocation of EUR 18m (EUR 7m) and an allocation related to prior year of EUR 2m (EUR -3m).
- 2) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, are included. Executives amounts to 17 (19) positions.

EURm	2012	2011
<b>Pension costs<sup>1</sup></b>		
Defined benefit plans	-90	-67
Defined contribution plans	-54	-43
<b>Total</b>	<b>-144</b>	<b>-110</b>

1) Pension costs for executives, see Note G7.

**Additional disclosures on remuneration under Swedish FSA regulations and general guidelines**

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage ([www.nordea.com](http://www.nordea.com)) one week before the Annual General Meeting on 14 March 2013.

**Compensation to key management personnel**

Salaries and remuneration to the Board of Directors, CEO and Group Executive Management, see Note G7.

**Loans to key management personnel**

Loans to key management personnel amounts to EUR 0m (EUR 0m). Interest income on these loans amounts to EUR 0m (EUR 0m). For information about loan conditions, see Note G7.

**Long Term Incentive Programmes**

Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares. For more information about conditions and requirements, see Note G7.

For information on number of outstanding conditional rights in the LTIPs, see Note G7. All rights in the LTIPs, both to employees in the parent company as well as to employees in group undertakings, are issued by Nordea Bank AB (publ).

The expenses in below table regards only employees in Nordea Bank AB (publ).

**Expenses for equity-settled share-based payment programmes<sup>1</sup>**

EURm	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008
Expected expense for the whole programme	-8	-8	-4	-4	-3
Maximum expense for the whole programme	-13	-10	-7	-4	-3
Total expense during 2012	-2	-3	-1	—	—
Total expense during 2011	—	-1	-1	-1	—

1) All amounts excluding social security contribution.

When calculating the expected expense an expected annual employee turnover of 5% has been used in LTIP 2010, LTIP 2011 and LTIP 2012. The expected expense is recognised over the vesting period of 36 months (LTIP 2010, 2011 and 2012) and 24 months (LTIP 2009 and 2008).

**Cash-settled share-based payment transaction**

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either vesting after three years or vesting in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. The below table only includes deferred amounts indexed with Nordea TSR. Nordea also operates deferrals not being TSR-linked, which are not included in the table below. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage ([www.nordea.com](http://www.nordea.com)).

EURm	2012	2011
Deferred TSR-linked compensation at beginning of the year	1	2
Accrued deferred/retained TSR-linked compensation during the year	1	0
TSR indexation during the year	0	0
Payments during the year <sup>1</sup>	0	-1
Translation differences	0	0
<b>Deferred TSR-linked compensation at end of year<sup>2</sup></b>	<b>2</b>	<b>1</b>

1) There have been no adjustments due to forfeitures in 2012.

2) Of which EUR 1m is available for disposal by the employees in 2013. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year relates to variable compensation earned the previous year.

**Average number of employees**

	Total		Men		Women	
	2012	2011	2012	2011	2012	2011
<b>Full-time equivalents</b>						
Sweden	6,601	7,023	2,910	3,071	3,691	3,952
Other countries	1,203	202	737	92	466	110
<b>Total average</b>	<b>7,804</b>	<b>7,225</b>	<b>3,647</b>	<b>3,163</b>	<b>4,157</b>	<b>4,062</b>

**Gender distribution, executives**

Per cent	31 Dec 2012	31 Dec 2011
<b>Nordea Bank AB (publ)</b>		
Board of Directors – Men	67	62
Board of Directors – Women	33	38
Other executives – Men	88	88
Other executives – Women	12	12

## P9

## Other expenses

EURm	2012	2011
Information technology	-500	-220
Marketing and representaion	-33	-33
Postage, transportation, telephone and office expenses	-69	-70
Rents, premises and real estate	-114	-116
Other <sup>1</sup>	-126	-122
<b>Total</b>	<b>-842</b>	<b>-561</b>

1) Including fees and remuneration to auditors distributed as follows.

## Auditors' fee

EURm	2012	2011
<b>KPMG</b>		
Auditing assignments	-2	-2
Audit-related services	-1	0
Tax advisory services	0	0
Other assignments	-1	-4
<b>Total</b>	<b>-4</b>	<b>-6</b>

## P10

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

EURm	2012	2011
<b>Depreciation/amortisation</b>		
<b>Property and equipment (Note P24)</b>		
Equipment	-22	-24
Buildings	0	0
<b>Intangible assets (Note P23)</b>		
Goodwill	-49	-69
Computer software	-20	-12
Other intangible assets	-4	-5
<b>Total</b>	<b>-95</b>	<b>-110</b>

## Impairment charges

<b>Intangible assets (Note P23)</b>		
Computer software	-10	-2
<b>Total</b>	<b>-10</b>	<b>-2</b>
<b>Total</b>	<b>-105</b>	<b>-112</b>

## P11

## Net loan losses

EURm	2012	2011
<b>Divided by class</b>		
Loans to credit institutions	-1	1
– of which provisions	-5	—
– of which write-offs	0	-4
– of which allowances used for covering write-offs	0	4
– of which reversals	4	1
Loans to the public	-15	-26
– of which provisions	-69	-75
– of which write-offs	-65	-63
– of which allowances used for covering write-offs	27	35
– of which reversals	69	56
– of which recoveries	23	21
Off-balance sheet items <sup>1</sup>	-3	5
– of which provisions	-5	-1
– of which reversals	2	6
<b>Total</b>	<b>-19</b>	<b>-20</b>

## Specification

Changes of allowance accounts on the balance sheet	-4	-13
– of which Loans, individually assessed <sup>2</sup>	-14	-27
– of which Loans, collectively assessed <sup>2</sup>	13	9
– of which Off-balance sheet items, individually assessed <sup>1</sup>	0	1
– of which Off-balance sheet items, collectively assessed <sup>1</sup>	-3	4
Changes directly recognised in the income statement	-15	-7
– of which realised loan losses, individually assessed	-38	-28
– of which realised recoveries, individually assessed	23	21
<b>Total</b>	<b>-19</b>	<b>-20</b>

1) Included in Note P32 Provisions as "Transfer risk, off-balance", "Guarantees".

2) Included in Note P15 Loans and impairment.

## Key ratios

	2012	2011
Loan loss ratio, basis points	5	6
– of which individual	8	10
– of which collective	-3	-4

## P12

## Appropriations

EURm	2012	2011
Change in tax allocation reserve	-103	—
Change in depreciation in excess of plan, equipment	0	1
<b>Total</b>	<b>-103</b>	<b>1</b>

## P13

## Taxes

## Income tax expense

EURm	2012	2011
Current tax <sup>1</sup>	-88	-125
Deferred tax	-7	11
<b>Total</b>	<b>-95</b>	<b>-114</b>

1) Of which relating to prior years

0 16

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2012	2011
Profit before tax	3,569	1,606
Tax calculated at a tax rate of 26.3%	-939	-422
Tax-exempt income	872	314
Non-deductible expenses	-26	-22
Adjustments relating to prior years	—	16
Change of tax rate <sup>1</sup>	-2	—
<b>Tax charge</b>	<b>-95</b>	<b>-114</b>
Average effective tax rate	3%	7%

1) Due to change of corporate tax rate from 26.3% to 22.0%.

## Deferred tax

EURm	Deferred tax assets		Deferred tax liabilities	
	2012	2011	2012	2011
<b>Deferred tax related to:</b>				
Derivatives	5	7	8	2
Retirement benefit obligations	8	7	—	—
Liabilities/provisions	6	12	0	0
<b>Total</b>	<b>19</b>	<b>26</b>	<b>8</b>	<b>2</b>

– of which expected to be settled after more than 1 year

14 8 0 0

EURm	2012	2011
<b>Movements in deferred tax assets/liabilities, net:</b>		
Amount at beginning of year (net)	24	8
Deferred tax relating to items recognised in Other comprehensive income	-8	5
Acquisitions and others	2	—
Deferred tax in the income statement	-7	11
<b>Amount at end of year (net)</b>	<b>11</b>	<b>24</b>

## Current and deferred tax recognised in Other comprehensive income

Deferred tax relating to available-for-sale investments	-6	-2
Deferred tax relating to cash flow hedges	-2	7
<b>Total</b>	<b>-8</b>	<b>5</b>

<b>Current tax assets</b>	<b>41</b>	<b>12</b>
– of which expected to be settled after more than 1 year	—	—
<b>Current tax liabilities</b>	<b>3</b>	<b>71</b>
– of which expected to be settled after more than 1 year	—	—

## P14

## Treasury bills

EURm	31 Dec 2012	31 Dec 2011
State and sovereigns <sup>1</sup>	4,907	4,868
Municipalities and other public bodies	289	99
<b>Total</b>	<b>5,196</b>	<b>4,967</b>
– of which Financial instruments pledged as collateral (Note P17)	104	1,237
<b>Total</b>	<b>5,092</b>	<b>3,730</b>

1) Of which EUR 17m (EUR 353m) held at amortised cost with a nominal amount of EUR 17m (EUR 353m).

## P15

## Loans and impairment

EURm	Credit institutions		The public		Total	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Loans, not impaired <sup>1</sup>	68,011	59,374	36,111	36,274	104,122	95,648
Impaired loans <sup>1</sup>	—	9	296	357	296	366
– of which performing	—	9	118	236	118	245
– of which non-performing	—	—	178	121	178	121
<b>Loans before allowances</b>	<b>68,011</b>	<b>59,383</b>	<b>36,407</b>	<b>36,631</b>	<b>104,418</b>	<b>96,014</b>
Allowances for individually assessed impaired loans	–1	–2	–132	–130	–133	–132
– of which performing	—	—	–61	–93	–61	–93
– of which non-performing	–1	–2	–71	–37	–72	–39
Allowances for collectively assessed impaired loans	–4	–2	–61	–80	–65	–82
<b>Allowances</b>	<b>–5</b>	<b>–4</b>	<b>–193</b>	<b>–210</b>	<b>–198</b>	<b>–214</b>
<b>Loans, carrying amount</b>	<b>68,006</b>	<b>59,379</b>	<b>36,214</b>	<b>36,421</b>	<b>104,220</b>	<b>95,800</b>

1) Comparative figures have been restated to ensure consistency between periods, see Note P1 for more information

Reconciliation of allowance accounts for impaired loans<sup>1</sup>

EURm	Credit institutions			The public			Total		
	Indi- vidually assessed	Collec- tively assessed	Total	Indi- vidually assessed	Collec- tively assessed	Total	Indi- vidually assessed	Collec- tively assessed	Total
<b>Opening balance at 1 Jan 2012</b>	<b>–2</b>	<b>–2</b>	<b>–4</b>	<b>–130</b>	<b>–80</b>	<b>–210</b>	<b>–132</b>	<b>–82</b>	<b>–214</b>
Provisions	—	–5	–5	–63	–5	–68	–63	–10	–73
Reversals	1	3	4	48	20	68	49	23	72
<b>Changes through the income statement</b>	<b>1</b>	<b>–2</b>	<b>–1</b>	<b>–15</b>	<b>15</b>	<b>0</b>	<b>–14</b>	<b>13</b>	<b>–1</b>
Allowances used to cover write-offs	—	—	—	27	—	27	27	—	27
Reclassifications	—	—	—	–8	7	–1	–8	7	–1
Translation differences	—	—	—	–6	–3	–9	–6	–3	–9
<b>Closing balance at 31 Dec 2012</b>	<b>–1</b>	<b>–4</b>	<b>–5</b>	<b>–132</b>	<b>–61</b>	<b>–193</b>	<b>–133</b>	<b>–65</b>	<b>–198</b>
<b>Opening balance at 1 Jan 2011</b>	<b>–6</b>	<b>–2</b>	<b>–8</b>	<b>–136</b>	<b>–88</b>	<b>–224</b>	<b>–142</b>	<b>–90</b>	<b>–232</b>
Provisions	—	0	0	–66	–8	–74	–66	–8	–74
Reversals	—	—	—	39	17	56	39	17	56
<b>Changes through the income statement</b>	<b>—</b>	<b>0</b>	<b>0</b>	<b>–27</b>	<b>9</b>	<b>–18</b>	<b>–27</b>	<b>9</b>	<b>–18</b>
Allowances used to cover write-offs	4	—	4	35	—	35	39	—	39
Translation differences	—	—	—	–2	–1	–3	–2	–1	–3
<b>Closing balance at 31 Dec 2011</b>	<b>–2</b>	<b>–2</b>	<b>–4</b>	<b>–130</b>	<b>–80</b>	<b>–210</b>	<b>–132</b>	<b>–82</b>	<b>–214</b>

1) See Note P11 Net loan losses.

## P15

## Loans and impairment, cont.

## Allowances and provisions

EURm	Credit institutions		The public		Total	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Allowances for items on the balance sheet	-5	-4	-193	-210	-198	-214
Provisions for off balance sheet items	-117	-2	-2	-1	-119	-3
<b>Total allowances and provisions</b>	<b>-122</b>	<b>-6</b>	<b>-195</b>	<b>-211</b>	<b>-317</b>	<b>-217</b>

Key ratios<sup>1</sup>

	31 Dec 2012	31 Dec 2011
Impairment rate, gross, basis points <sup>1</sup>	28	38
Impairment rate, net, basis points <sup>1</sup>	16	24
Total allowance rate, basis points	19	22
Allowances in relation to impaired loans, % <sup>1</sup>	45	36
Total allowances in relation to impaired loans, % <sup>1</sup>	67	58

1) Comparative figures have been restated to ensure consistency between periods, see Note P1 for more information.

## P16

## Interest-bearing securities

EURm	31 Dec 2012	31 Dec 2011
Issued by other borrowers <sup>1</sup>	11,594	14,584
<b>Total</b>	<b>11,594</b>	<b>14,584</b>
– of which Financial instruments pledged as collateral (Note P17)	—	—
<b>Total</b>	<b>11,594</b>	<b>14,584</b>
Listed securities	11,530	14,064
Unlisted securities	64	520
<b>Total</b>	<b>11,594</b>	<b>14,584</b>

1) Of which EUR 864m (EUR 1,648m) held at amortised cost with a nominal amount of EUR 863m (EUR 1,634m).

## P18

## Shares

EURm	31 Dec 2012	31 Dec 2011
Shares	4,741	1,131
Shares taken over for protection of claims	1	4
<b>Total</b>	<b>4,742</b>	<b>1,135</b>
Listed shares	4,713	1,100
Unlisted shares	29	35
<b>Total</b>	<b>4,742</b>	<b>1,135</b>
– of which expected to be settled after more than 1 year	30	38

## P17

## Financial instruments pledged as collateral

## Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2012	31 Dec 2011
Treasury bills	104	1,237
<b>Total</b>	<b>104</b>	<b>1,237</b>

For more information on transferred assets and reverse repos, see Note P44.

## P19

## Derivatives and Hedge accounting

31 Dec 2012, EURm	Fair value		Total nom amount
	Positive	Negative	
<b>Derivatives held for trading</b>			
<b>Interest rate derivatives</b>			
Interest rate swaps	2,469	2,683	127,698
FRAs	22	21	25,052
Futures and forwards	—	6	1,839
Options	0	0	379
Other	0	0	1,165
<b>Total</b>	<b>2,491</b>	<b>2,710</b>	<b>156,133</b>
<b>Equity derivatives</b>			
Equity swaps	83	149	350
Futures and forwards	1	0	21
Options	61	67	1,987
<b>Total</b>	<b>145</b>	<b>216</b>	<b>2,358</b>
<b>Foreign exchange derivatives</b>			
Currency and interest rate swaps	629	609	13,541
Currency forwards	63	124	23,979
Options	—	—	—
<b>Total</b>	<b>692</b>	<b>733</b>	<b>37,520</b>
<b>Credit derivatives</b>			
Credit default swaps	—	0	1
<b>Total</b>	<b>—</b>	<b>0</b>	<b>1</b>
<b>Other derivatives</b>			
Other	26	0	1,867
<b>Total</b>	<b>26</b>	<b>0</b>	<b>1,867</b>
<b>Total derivatives held for trading</b>	<b>3,354</b>	<b>3,659</b>	<b>197,879</b>
<b>Derivatives used for hedge accounting</b>			
<b>Interest rate derivatives</b>			
Interest rate swaps	2,058	263	32,653
Options	0	0	642
<b>Total</b>	<b>2,058</b>	<b>263</b>	<b>33,295</b>
<b>Foreign exchange derivatives</b>			
Currency and interest rate swaps	440	244	7,475
<b>Total</b>	<b>440</b>	<b>244</b>	<b>7,475</b>
<b>Total derivatives used for hedge accounting</b>	<b>2,498</b>	<b>507</b>	<b>40,770</b>
– of which fair value hedges	2,396	382	19,886
– of which cash flow hedges	102	125	20,884
<b>Total derivatives</b>	<b>5,852</b>	<b>4,166</b>	<b>238,649</b>

## P19

## Derivatives and Hedge accounting, cont.

31 Dec 2011, EURm	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading</b>			
<b>Interest rate derivatives</b>			
Interest rate swaps	1,783	2,029	130,296
FRAs	83	109	109,281
Futures and forwards	2	16	1,553
Options	5	6	21,133
Other	0	0	11,221
<b>Total</b>	<b>1,873</b>	<b>2,160</b>	<b>273,484</b>
<b>Equity derivatives</b>			
Equity swaps	124	14	131
Futures and forwards	7	0	22
Options	51	28	1,421
<b>Total</b>	<b>182</b>	<b>42</b>	<b>1,574</b>
<b>Foreign exchange derivatives</b>			
Currency and interest rate swaps	398	375	16,109
Currency forwards	24	215	16,397
Options	0	0	0
<b>Total</b>	<b>422</b>	<b>590</b>	<b>32,506</b>
<b>Credit derivatives</b>			
Credit default swaps	—	4	110
<b>Total</b>	<b>—</b>	<b>4</b>	<b>110</b>
<b>Other derivatives</b>			
Other	0	8	2,066
<b>Total</b>	<b>0</b>	<b>8</b>	<b>2,066</b>
<b>Total derivatives held for trading</b>	<b>2,477</b>	<b>2,804</b>	<b>309,740</b>
<b>Derivatives used for hedge accounting</b>			
<b>Interest rate derivatives</b>			
Interest rate swaps	1,411	189	22,025
Options	0	0	37
<b>Total</b>	<b>1,411</b>	<b>189</b>	<b>22,062</b>
<b>Foreign exchange derivatives</b>			
Currency and interest rate swaps	451	21	3,565
<b>Total</b>	<b>451</b>	<b>21</b>	<b>3,565</b>
<b>Total derivatives used for hedge accounting</b>	<b>1,862</b>	<b>210</b>	<b>25,627</b>
<b>Total derivatives</b>	<b>4,339</b>	<b>3,014</b>	<b>335,367</b>

## P20

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

Assets EURm	31 Dec 2012	31 Dec 2011
Carrying amount at beginning of year	-632	795
Changes during the year		
Revaluation of hedged items	-525	-1,427
<b>Carrying amount at end of year</b>	<b>-1,157</b>	<b>-632</b>
<b>Liabilities EURm</b>		
Carrying amount at beginning of year	147	749
Changes during the year		
Revaluation of hedged items	-131	-602
<b>Carrying amount at end of year</b>	<b>16</b>	<b>147</b>

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset respectively a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

## P21

## Investments in group undertakings

EURm	31 Dec 2012	31 Dec 2011
Acquisition value at beginning of year	17,318	17,286
Acquisitions/capital contributions during the year	958	26
IFRS 2 expenses <sup>1</sup>	3	6
<b>Acquisition value at end of year</b>	<b>18,279</b>	<b>17,318</b>
Accumulated impairment charges at beginning of year	-605	-596
Impairment charges during the year	-15	-9
Reclassification	—	—
<b>Accumulated impairment charges at end of year</b>	<b>-620</b>	<b>-605</b>
<b>Total</b>	<b>17,659</b>	<b>16,713</b>

1) Allocation of IFRS 2 expenses for LTIP 2007–2012 related to the group undertakings. For more information, see Note P8.

– of which, listed shares

The total amount is expected to be settled after more than 1 year.

## P21

## Investments in group undertakings, cont.

## Specification

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

31 Dec 2012	Number of shares	Carrying amount 2012, EURm	Carrying amount 2011, EURm	Voting power of holding %	Domicile	Registration number
<b>Nordea Bank Finland Plc</b>	1,030,800,000	5,956	5,955	100.0	Helsinki	1680235–8
Nordea Finance Finland Ltd				100.0	Espoo	0112305–3
<b>Nordea Bank Danmark A/S</b>	50,000,000	4,010	3,509	100.0	Copenhagen	13522197
Nordea Finans Danmark A/S				100.0	Høje Taastrup	89805910
Nordea Kredit Realkreditaktieselskab				100.0	Copenhagen	15134275
Fionia Asset Company A/S <sup>1</sup>				100.0	Copenhagen	31934745
<b>Nordea Bank Norge ASA</b>	551,358,576	2,818	2,406	100.0	Oslo	911044110
Nordea Eiendomskreditt AS				100.0	Oslo	971227222
Nordea Finans Norge AS				100.0	Oslo	924507500
Privatmegleren AS				100.0	Oslo	986386661
<b>Nordea Bank Polska S.A.</b>	55,061,403	363	362	99.2	Gdynia	KRS0000021828
<b>OOO Promyshlennaya Companiya Vestkon</b>	4,601,942,680 <sup>1</sup>	659	659	100.0	Moscow	1027700034185
OJSC Nordea Bank				100.0 <sup>3</sup>	Moscow	1027739436955
<b>Nordea Life Holding AB</b>	1,000	707	690	100.0	Stockholm	556742–3305
Nordea Liv & Pension, Livförsikringsselskab A/S				100.0	Ballerup	24260577
Nordea Liv Holding Norge AS				100.0	Bergen	984739303
Livförsikringsselskapet Nordea Liv Norge AS				100.0	Bergen	959922659
Nordea Livförsäkring Sverige AB (publ)				100.0	Stockholm	516401–8508
Nordea Life Assurance Finland Ltd				100.0	Helsinki	0927072–8

## P21

## Investments in group undertakings, cont.

Nordea Hypotek AB (publ)	100,000	1,898	1,898	100.0	Stockholm	556091–5448
Nordea Fonder AB	15,000	241	229	100.0	Stockholm	556020–4694
Nordea Bank S.A.	999,999	454	454	100.0	Luxembourg	B–14157
Nordea Finans Sverige AB (publ)	1,000,000	116	116	100.0	Stockholm	556021–1475
Nordea Fondene Norge AS	1,200	29	29	100.0	Oslo	930954616
Nordea Investment Management AB	12,600	232	230	100.0	Stockholm	556060–2301
Nordea Investment Fund Company Finland Ltd	3,350	138	138	100.0	Helsinki	1737785–9
Nordea Ejendomsinvestering A/S	1,000	29	29	100.0	Copenhagen	26640172
Nordea Investment Fund Management A/S	25,000	8	8	100.0	Copenhagen	13917396
Nordea Investment Funds Company I S.A.	39,996	0	0	100.0	Luxembourg	B–30550
PK Properties Int'l Corp	100,000	0	0	100.0	Atlanta, USA	601624718
Nordea Hästen Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653–6800
Nordea Putten Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653–5257
Nordea North America Inc.	1,000	0	0	100.0	Delaware, USA	51–0276195
Nordea do Brasil Representações Ltda	1,162,149	0	0	100.0	Sao Paulo, Brasil	51–696.268/0001–40
Nordic Baltic Holding (NBH) AB <sup>2</sup>	1,000	0	0	100.0	Stockholm	556592–7950
Nordea Fastigheter AB <sup>2</sup>	3,380,000	1	1	100.0	Stockholm	556021–4917
<b>Total</b>		<b>17,659</b>	<b>16,713</b>			

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon.

2) Dormant.

3) Combined ownership, Nordea Bank AB (publ) directly 7.2% and indirectly 92.8% through OOO Promyshlennaya Kompaniya Vestkon.

## Special Purpose Entities (SPEs) – Consolidated

SPEs that have been set up for enabling investments in structured credit products and for acquiring assets from customers.

EURm	Purpose	Duration	Nordea's investment	Total assets
Viking ABCP Conduit <sup>1</sup>	Factoring	<5 years	1,230	1,326
Kalmar Structured Finance A/S <sup>2</sup>	Credit Linked Note	<1 years	1	23
<b>Total</b>			<b>1,231</b>	<b>1,349</b>

1) The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,691m and at year end 2012 EUR 1,230m were utilised. There is no outstanding CP issue at year end 2012. These SPEs are consolidated as they are closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restriction on repayment of loans from Viking apart from that the payments are dependant on the pace in which Viking realises its assets.

2) Kalmar Structured Finance A/S was established to allow customers to invest in structured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 24m at year end 2012. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m at year end 2012.

## P22

## Investments in associated undertakings

EURm		31 Dec 2012	31 Dec 2011
Acquisition value at beginning of year		5	4
Acquisitions during the year		3	1
<b>Acquisition value at end of year</b>		<b>8</b>	<b>5</b>
<b>Total</b>		<b>8</b>	<b>5</b>
– of which, listed shares		—	—

31 Dec 2012	Registration number	Domicile	Carrying amount 2012, EURm	Carrying amount 2011, EURm	Voting power of holding %
BDB Bankernas Depå AB	556695–3567	Stockholm	1	1	20
Bankpension Sverige AB	556695–8194	Stockholm	1	1	40
Bankomat AB	556817–9716	Stockholm	6	3	20
Other			0	0	
<b>Total</b>			<b>8</b>	<b>5</b>	

## P23

## Intangible assets

EURm	31 Dec 2012	31 Dec 2011
<b>Goodwill allocated to cash generating units<sup>1</sup></b>		
Retail Banking	403	452
<b>Goodwill, total</b>	<b>403</b>	<b>452</b>
Computer software	264	198
Other intangible assets	3	8
<b>Other intangible assets, total</b>	<b>267</b>	<b>206</b>
<b>Intangible assets, total</b>	<b>670</b>	<b>658</b>
<b>Goodwill</b>		
Acquisition value at beginning of year	1,059	1,059
<b>Acquisition value at end of year</b>	<b>1,059</b>	<b>1,059</b>
Accumulated amortisation at beginning of year	-607	-538
Amortisation according to plan for the year	-49	-69
<b>Accumulated amortisation at end of year</b>	<b>-656</b>	<b>-607</b>
<b>Total</b>	<b>403</b>	<b>452</b>
1) Excluding goodwill in associated undertakings		
<b>Computer software</b>		
Acquisition value at beginning of year	249	175
Acquisitions during the year	93	74
Reclassifications	-2	—
Translation differences	0	0
<b>Acquisition value at end of year</b>	<b>340</b>	<b>249</b>
Accumulated amortisation at beginning of year	-49	-37
Amortisation according to plan for the year	-20	-12
Translation differences	1	—
<b>Accumulated amortisation at end of year</b>	<b>-68</b>	<b>-49</b>
Accumulated impairment charges at beginning of year	-2	0
Impairment charges during the year	-10	-2
Reclassifications	2	—
Translation differences	2	—
<b>Accumulated impairment charges at end of year</b>	<b>-8</b>	<b>-2</b>
<b>Total</b>	<b>264</b>	<b>198</b>
<b>Other intangible assets</b>		
Acquisition value at beginning of year	49	48
Acquisitions during the year	1	1
Sales/disposals during the year	-8	—
<b>Acquisition value at end of year</b>	<b>42</b>	<b>49</b>
Accumulated amortisation at beginning of year	-41	-36
Amortisation according to plan for the year	-4	-5
Accumulated amortisation on sales/disposals during the year	6	0
<b>Accumulated amortisation at end of year</b>	<b>-39</b>	<b>-41</b>
<b>Total</b>	<b>3</b>	<b>8</b>

The total amount is expected to be settled after more than 1 year.

#### Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. See Note G20 and Note G1 section 4 for more information.

## P24

## Property and equipment

EURm	31 Dec 2012	31 Dec 2011
Property and equipment	121	81
– of which buildings for own use	0	0
<b>Total</b>	<b>121</b>	<b>81</b>
<b>Equipment</b>		
Acquisition value at beginning of year	214	193
Acquisitions during the year	64	32
Sales/disposals during the year	–8	–11
Translation differences	0	0
<b>Acquisition value at end of year</b>	<b>270</b>	<b>214</b>
Accumulated depreciation at beginning of year	–133	–116
Accumulated depreciation on sales/disposals during the year	6	7
Depreciations according to plan for the year	–22	–24
Translation differences	0	0
<b>Accumulated depreciation at end of year</b>	<b>–149</b>	<b>–133</b>
<b>Total</b>	<b>121</b>	<b>81</b>
<b>Land and buildings</b>		
Acquisition value at beginning of year	0	0
<b>Acquisition value at end of year</b>	<b>0</b>	<b>0</b>
Accumulated depreciation at beginning of year	0	0
Depreciation according to plan for the year	0	0
<b>Accumulated depreciation at end of year</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>

The total amount is expected to be settled after more than 1 year.

**Operating leases**

Nordea has entered into operating lease agreements for premises and office equipment. See also Note G1, section 15.

Leasing expenses during the year, EURm	31 Dec 2012	31 Dec 2011
Leasing expenses during the year	–97	–95
– of which minimum lease payments	–97	–95
Leasing income during the year regarding sublease payments	39	37

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

EURm	31 Dec 2012
2013	66
2014	62
2015	35
2016	26
2017	16
Later years	141
<b>Total</b>	<b>346</b>

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 272m. EUR 250m of the subleases are towards group undertakings.

## P25

## Other assets

EURm	31 Dec 2012	31 Dec 2011
Claims on securities settlement proceeds	273	500
Anticipated dividends from group undertakings	468	1,055
Group Contributions	303	355
Other	669	352
<b>Total</b>	<b>1,713</b>	<b>2,262</b>
– of which expected to be settled after more than 1 year	—	—

**P26 Prepaid expenses and accrued income**

EURm	31 Dec 2012	31 Dec 2011
Accrued interest income	458	614
Other accrued income	138	21
Prepaid expenses	676	644
<b>Total</b>	<b>1,272</b>	<b>1,279</b>
– of which expected to be settled after more than 1 year	560	543

**P27 Deposits by credit institutions**

EURm	31 Dec 2012	31 Dec 2011
Central banks	3,224	4,331
Other banks	15,553	13,720
Other credit institutions	565	4,390
<b>Total</b>	<b>19,342</b>	<b>22,441</b>

**P28 Deposits and borrowings from the public**

EURm	31 Dec 2012	31 Dec 2011
Deposits from the public	48,822	43,219
Borrowings from the public	1,441	1,170
<b>Total</b>	<b>50,263</b>	<b>44,389</b>

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included.

**P32 Provisions**

EURm	31 Dec 2012	31 Dec 2011
Provision for restructuring costs	28	44
Transfer risk, off-balance	5	2
Guarantees	114	1
Other	1	43
<b>Total</b>	<b>148</b>	<b>90</b>

	Restructuring	Transfer risk	Guarantees	Other	Total
At beginning of year	44	2	1	43	90
New provisions made	12	5	113	1	131
Provisions utilised	-16	—	—	—	-16
Reversals	-14	-2	0	—	-16
Reclassifications	—	—	—	-43	-43
Translation differences	2	0	0	0	2
<b>At end of year</b>	<b>28</b>	<b>5</b>	<b>114</b>	<b>1</b>	<b>148</b>
– of which expected to be settled after more than 1 year	—	5	114	—	119

Provision for restructuring costs amounts to EUR 28m and covers termination benefits (EUR 24m) and other provisions mainly related to redundant premises (EUR 4m). Provision for transfer risk is related to off-balance sheet items. Transfer risk relating to loans is included in the item Allowances for collectively assessed impaired loans in Note P15. Provision for transfer risk is

**P29 Debt securities in issue**

EURm	31 Dec 2012	31 Dec 2011
Certificates of deposit	—	0
Commercial papers	15,219	16,800
Bond loans	32,962	28,469
Other	104	98
<b>Total</b>	<b>48,285</b>	<b>45,367</b>

**P30 Other liabilities**

EURm	31 Dec 2012	31 Dec 2011
Liabilities on securities settlement proceeds	173	130
Sold, not held, securities	559	454
Accounts payable	29	15
Cash/margin payable	—	0
Other	874	1,177
<b>Total</b>	<b>1,635</b>	<b>1,776</b>
– of which expected to be settled after more than 1 year	—	—

**P31 Accrued expenses and prepaid income**

EURm	31 Dec 2012	31 Dec 2011
Accrued interest	561	484
Other accrued expenses	296	163
Prepaid income	611	204
<b>Total</b>	<b>1,468</b>	<b>851</b>
– of which expected to be settled after more than 1 year	6	0

depending on the volume of business with different countries. Loan loss provisions for guarantees amounts to EUR 114m of which EUR 110m covers the guarantee in favour of Nordea Bank Finland Plc and EUR 3m covers the guarantee in favour of Nordea Bank Polska S.A. Loan loss provisions for other guarantees amounts to EUR 1m. Provisions related to state guarantees in Other provisions are reclassified to Accrued expenses.

## P33

## Retirement benefit obligations

**Pension provisions**

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions on the balance sheet pertain almost exclusively to former employees of Postgirot Bank. EUR 148m (EUR 127m) of the provisions are covered by "Tryggandelagen".

A small percentage of the pension obligations are covered by insurance policies.

The following figures are based on calculations in accordance with Swedish rules ("Tryggandelagen").

**Specification of amounts recognised on the balance sheet**

	31 Dec 2012	31 Dec 2011
Present value of commitments relating to in whole or in part funded pension plans	-1,304	-1,040
Fair value at the end of the period relating to specifically separated assets	1,322	1,197
<b>Surplus in the pension foundation</b>	<b>18</b>	<b>157</b>
Present value of commitments relating to unfunded pension plans	-182	-153
Unrecognised surplus in the pension foundation	-18	-157

**Reported liability net on the balance sheet** -182 -153

**Specification of changes in the liability recognised on balance sheet as pension**

	31 Dec 2012	31 Dec 2011
Balance at 1 Jan recognised as pension commitments	153	149
Pensions paid related to former employees of Postgirot Bank	-7	-6
Actuarial pension calculations	26	9
Effect of exchange rate changes	10	1
<b>Balance at 31 Dec</b>	<b>182</b>	<b>153</b>

**Specification of cost and income in respect of pensions**

	2012	2011
Pensions paid related to former employees of Postgirot Bank	-7	-6
Pensions paid covered by the pension foundation	-64	-58
Actuarial pension calculation	-19	-3
<b>Defined benefit plans</b>	<b>-90</b>	<b>-67</b>
Defined contribution plan	-54	-43
<b>Pension costs<sup>1</sup></b>	<b>-144</b>	<b>-110</b>
Return on specifically separated assets, %	8.2	7.3

1) See Note P8 Staff costs.

**Actual value of holdings in pension foundations**

EURm	31 Dec 2012	31 Dec 2011
Shares	274	197
Interest-bearing securities	1,009	980
Other assets	39	20
<b>Total</b>	<b>1,322</b>	<b>1,197</b>

**Assumptions for benefit-determined obligations**

	2012	2011
Discount rate	1.9%	3.0%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Next year's expected payment regarding defined benefit plans amounts to EUR 69m.

## P34

## Subordinated liabilities

EURm	31 Dec 2012	31 Dec 2011
Dated subordinated debenture loans	5,160	4,127
Hybrid capital loans	1,971	2,027
<b>Total</b>	<b>7,131</b>	<b>6,154</b>

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

At 31 December four loans – with terms specified below – exceeded 10% of the total outstanding volume.

Year of maturity, EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan <sup>1</sup>	1,000	995	Fixed
Dated loan <sup>2</sup>	750	746	Fixed
Dated loan <sup>3</sup>	750	746	Fixed
Dated loan <sup>4</sup>	947	939	Fixed

1) Maturity date 26 March 2020.

2) Maturity date 29 March 2021.

3) Maturity date 15 February 2022.

4) Maturity date 13 May 2021.

## P35

## Untaxed reserves

EURm	31 Dec 2012	31 Dec 2011
Tax allocation reserve	103	—
Accumulated excess depreciation, equipment	5	5
<b>Total</b>	<b>108</b>	<b>5</b>

## P36

## Assets pledged as security for own liabilities

EURm	31 Dec 2012	31 Dec 2011
<b>Assets pledged for own liabilities</b>		
Securities etc <sup>1</sup>	4,230	3,530
<b>Total</b>	<b>4,230</b>	<b>3,530</b>

**The above pledges pertain to the following liabilities**

Deposits by credit institutions	1,977	3,432
Deposits and borrowings from the public	2,480	489
<b>Total</b>	<b>4,457</b>	<b>3,921</b>

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P44. Obtained collaterals which are permitted to be sold or repledged.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

## P37

## Other assets pledged

EURm	31 Dec 2012	31 Dec 2011
<b>Other assets pledged<sup>1</sup></b>		
Securities etc	6,225	7,264
<b>Total</b>	<b>6,225</b>	<b>7,264</b>

1) Collaterals pledged on behalf of other items other than the company's own liabilities, eg, on behalf of a third party or on behalf of the company's own contingent liabilities are accounted for under this item.

Securities etc. includes interest-bearing securities pledged as security for payment settlements within the Central bank of Sweden. The terms and conditions require day to day security and relate to liquidity intraday/over night.

## P38

## Contingent liabilities

EURm	31 Dec 2012	31 Dec 2011
<b>Guarantees</b>		
– Loan guarantees	70,514	8,614
– Other guarantees	15,774	16,102
Other contingent liabilities	4	4
<b>Total</b>	<b>86,292</b>	<b>24,720</b>

In the normal business of Nordea, the bank issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees.

Nordea Bank AB (publ) has issued guarantees covering all commitments in Nordea Investment Management AB, org no 556060–2301 and Nordea Fastigheter AB, org no 556021–4917. The guarantee to Nordea Investment Management AB was withdrawn on 31 January 2013.

Nordea Bank AB (publ) has in December 2012 issued a guarantee of maximum EUR 60bn in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The guarantee covers EUR 41bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 6bn of derivatives are covered by the guarantee as of 31 December 2012. The maximum amount of derivatives guaranteed is EUR 10bn. The guarantee increased the RWA by EUR 34bn, which was mitigated by and extraordinary dividend from Nordea Bank Finland Plc. The guarantee will generate commission income, while the losses recognized on the guaranteed exposures will be transferred to Nordea Bank AB. The guarantee is priced at arm's length, including expected credit losses and the cost of capital required by the guarantee. All internal transactions in the guarantee are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has issued a guarantee of EUR 1,326m in favour of Nordea Bank Polska S.A. The guarantee covers a mortgage loan portfolio with real estate as collateral.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age.

**Legal proceedings**

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

## P39

## Commitments

EURm	31 Dec 2012	31 Dec 2011
Credit commitments <sup>1</sup>	26,270	25,098
<b>Total</b>	<b>26,270</b>	<b>25,098</b>

1) Including unutilised portion of approved overdraft facilities of EUR 12,952m (EUR 12,259m).

For information about derivatives see Note P19.

## P40

## Capital adequacy

## Calculation of total capital base

EURm	31 Dec 2012	31 Dec 2011
Equity	19,375	16,921
Proposed/actual dividend	-1,370	-1,048
Hybrid capital loans	1,992	1,964
Deferred tax assets	-19	-26
Intangible assets	-670	-658
IRB provisions excess (+)/shortfall (-)	-52	-32
Other items, net	-12	13
<b>Tier 1 capital (net after deduction)</b>	<b>19,244</b>	<b>17,134</b>
– of which hybrid capital	1,992	1,964
<b>Tier 2 capital</b>	<b>4,706</b>	<b>3,203</b>
IRB provisions excess (+)/shortfall (-)	-52	-33
Other deduction	0	0
<b>Total</b>	<b>23,898</b>	<b>20,304</b>

## Capital requirements and RWA

EURm	31 Dec 2012		31 Dec 2011	
	Capital requirement	Basel II RWA	Capital requirement	Basel II RWA
<b>Credit risk</b>	<b>7,494</b>	<b>93,670</b>	<b>4,595</b>	<b>57,441</b>
IRB foundation	4,752	59,394	2,186	27,328
– of which corporate	4,404	55,051	1,764	22,051
– of which institutions	140	1,751	198	2,477
– of which retail	188	2,345	201	2,518
– of which other	20	247	23	282
Standardised	2,742	34,276	2,409	30,113
– of which sovereign	2	21	—	—
– of which retail	106	1,327	0	0
– of which other	2,634	32,928	2,409	30,113
<b>Market risk</b>	<b>123</b>	<b>1,539</b>	<b>92</b>	<b>1,158</b>
– of which trading book, Internal Approach	39	484	30	376
– of which trading book, Standardised Approach	20	246	11	143
– of which banking book, Standardised Approach	64	809	51	639
<b>Operational risk</b>	<b>219</b>	<b>2,739</b>	<b>190</b>	<b>2,375</b>
– of which standardised	219	2,739	190	2,375
<b>Sub total</b>	<b>7,836</b>	<b>97,948</b>	<b>4,877</b>	<b>60,974</b>

## Adjustment for transition rules

Additional capital requirement according to transition rules	—	—	—	—
<b>Total</b>	<b>7,836</b>	<b>97,948</b>	<b>4,877</b>	<b>60,974</b>

On 21 December 2012 Nordea Bank AB (publ) entered into a guarantee agreement with Nordea Bank Finland Plc. From a capital adequacy perspective the agreement implies that Nordea Bank AB (publ) guarantees the majority of the credit risk exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The RWA effect of the guarantee in Nordea Bank AB (publ) at 31 December 2012

equals approx. EUR 34bn. To reduce the impact of the increased RWA in Nordea Bank AB (publ), an extraordinary dividend payment of EUR 2.5bn was performed in December 2012 from Nordea Bank Finland Plc to Nordea Bank AB (publ). See Note P38 for more information.

More Capital Adequacy information can be found in the Risk, Liquidity and Capital Management section page 66.

P41

## Classification of financial instruments

				Financial assets at fair value through profit or loss				
	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
31 Dec 2012, EURm								
Assets								
Cash and balances with central banks	180	—	—	—	—	—	—	180
Treasury bills	—	17	5,075	—	—	—	—	5,092
Loans to credit institutions	66,960	—	312	734	—	—	—	68,006
Loans to the public	31,712	—	—	4,502	—	—	—	36,214
Interest-bearing securities	—	865	4,510	—	—	6,219	—	11,594
Financial instruments pledged as collateral	—	—	104	—	—	—	—	104
Shares	—	—	4,712	30	—	—	—	4,742
Derivatives	—	—	3,354	—	2,498	—	—	5,852
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-1,157	—	—	—	—	—	—	-1,157
Investments in group undertakings	—	—	—	—	—	—	17,659	17,659
Investments in associated undertakings	—	—	—	—	—	—	8	8
Intangible assets	—	—	—	—	—	—	670	670
Property and equipment	—	—	—	—	—	—	121	121
Deferred tax assets	—	—	—	—	—	—	19	19
Current tax assets	—	—	—	—	—	—	41	41
Other assets	560	—	—	—	—	—	1,153	1,713
Prepaid expenses and accrued income	1,134	—	—	—	—	—	138	1,272
Total	99,389	882	18,067	5,266	2,498	6,219	19,809	152,130

	Financial liabilities at fair value through profit or loss					
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
31 Dec 2012, EURm						
Liabilities						
Deposits by credit institutions	104	1,855	—	17,383	—	19,342
Deposits and borrowings from the public	—	2,498	—	47,765	—	50,263
Debt securities in issue	—	—	—	48,285	—	48,285
Derivatives	3,659	—	507	—	—	4,166
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	16	—	16
Current tax liabilities	—	—	—	—	3	3
Other liabilities	560	—	—	560	515	1,635
Accrued expenses and prepaid income	—	—	—	1,172	296	1,468
Deferred tax liabilities	—	—	—	—	8	8
Provisions	—	—	—	—	148	148
Retirement benefit obligations	—	—	—	—	182	182
Subordinated liabilities	—	—	—	7,131	—	7,131
Total	4,323	4,353	507	122,312	1,152	132,647

## P41

## Classification of financial instruments, cont.

				Financial assets at fair value through profit or loss				
	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
31 Dec 2011, EURm								
Assets								
Cash and balances with central banks	152	—	—	—	—	—	—	152
Treasury bills	—	353	3,377	—	—	—	—	3,730
Loans to credit institutions	55,839	—	234	3,306	—	—	—	59,379
Loans to the public	33,743	—	—	2,678	—	—	—	36,421
Interest-bearing securities	—	1,648	7,642	—	—	5,294	—	14,584
Financial instruments pledged as collateral	—	—	1,237	—	—	—	—	1,237
Shares	—	—	1,097	38	—	—	—	1,135
Derivatives	—	—	2,477	—	1,862	—	—	4,339
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–632	—	—	—	—	—	—	–632
Investments in group undertakings	—	—	—	—	—	—	16,713	16,713
Investments in associated undertakings	—	—	—	—	—	—	5	5
Intangible assets	—	—	—	—	—	—	658	658
Property and equipment	—	—	—	—	—	—	81	81
Deferred tax assets	—	—	—	—	—	—	26	26
Current tax assets	—	—	—	—	—	—	12	12
Other assets	2,096	—	—	166	—	—	—	2,262
Prepaid expenses and accrued income	1,248	—	10	—	—	—	21	1,279
Total	92,446	2,001	16,074	6,188	1,862	5,294	17,516	141,381

	Financial liabilities at fair value through profit or loss					
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
<b>31 Dec 2011, EURm</b>						
<b>Liabilities</b>						
Deposits by credit institutions	1,254	2,135	—	19,052	—	22,441
Deposits and borrowings from the public	3	506	—	43,880	—	44,389
Debt securities in issue	—	—	—	45,367	—	45,367
Derivatives	2,804	—	210	—	—	3,014
Fair value changes of the hedged items in portfolio hedge of interest rate risk	—	—	—	147	—	147
Current tax liabilities	—	—	—	—	71	71
Other liabilities	455	209	—	1,029	83	1,776
Accrued expenses and prepaid income	2	117	—	570	162	851
Deferred tax liabilities	—	—	—	—	2	2
Provisions	—	—	—	—	90	90
Retirement benefit obligations	—	—	—	—	153	153
Subordinated liabilities	—	—	—	6,154	—	6,154
<b>Total</b>	<b>4,518</b>	<b>2,967</b>	<b>210</b>	<b>116,199</b>	<b>561</b>	<b>124,455</b>

## P41

## Classification of financial instruments, cont.

## Loans designated at fair value through profit or loss

EURm	31 Dec 2012	31 Dec 2011
Carrying amount	5,236	5,984
Maximum exposure to credit risk	5,236	5,984

## Financial assets and liabilities designated at fair value through profit or loss

## Changes in fair values of financial liabilities attributable to changes in credit risk

The funding of Markets operations are measured at fair value and classified into the category "Fair value through profit or loss". The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant.

## Changes in fair values of financial assets attributable to changes in credit risk

The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant.

## Comparison of carrying amount and contractual amount to be paid at maturity

	Carrying amount	Amount to be paid at maturity
<b>2012, EURm</b>		
Financial liabilities designated at fair value through profit or loss	4,353	4,353

	Carrying amount	Amount to be paid at maturity
<b>2011, EURm</b>		
Financial liabilities designated at fair value through profit or loss	2,967	2,967

## P42

## Assets and liabilities at fair value

	31 Dec 2012		31 Dec 2011	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Cash and balances with central banks	180	180	152	152
Treasury bills	5,092	5,092	3,730	3,730
Loans to credit institutions	68,006	68,713	59,379	59,401
Loans to the public	36,214	36,224	36,421	36,430
Interest-bearing securities	11,594	11,970	14,584	14,849
Financial instruments pledged as collateral	104	104	1,237	1,237
Shares	4,742	4,742	1,135	1,135
Derivatives	5,852	5,852	4,339	4,339
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-1,157	-1,157	-632	-632
Investments in group undertakings	17,659	17,659	16,713	16,713
Investments in associated undertakings	8	8	5	5
Intangible assets	670	670	658	658
Property and equipment	121	121	81	81
Deferred tax assets	19	19	26	26
Current tax assets	41	41	12	12
Other assets	1,713	1,713	2,262	2,262
Prepaid expenses and accrued income	1,272	1,272	1,279	1,279
<b>Total assets</b>	<b>152,130</b>	<b>153,223</b>	<b>141,381</b>	<b>141,677</b>
<b>Liabilities</b>				
Deposits by credit institutions	19,342	19,252	22,441	22,433
Deposits and borrowings from the public	50,263	50,229	44,389	44,444
Debt securities in issue	48,285	47,382	45,367	45,080
Derivatives	4,166	4,166	3,014	3,014
Fair value changes of the hedged items in portfolio hedge of interest rate risk	16	16	147	147
Current tax liabilities	3	3	71	71
Other liabilities	1,635	1,635	1,776	1,776
Accrued expenses and prepaid income	1,468	1,468	851	851
Deferred tax liabilities	8	8	2	2
Provisions	148	148	90	90
Retirement benefit obligations	182	182	153	153
Subordinated liabilities	7,131	6,833	6,154	6,154
<b>Total liabilities</b>	<b>132,647</b>	<b>131,322</b>	<b>124,455</b>	<b>124,215</b>

## Determination of fair value for assets and liabilities

For information on how fair values are determined, see Note G42 Assets and liabilities at fair value. The parent company has not deferred any day 1 gains and losses in accordance with the accounting policy in Note G1.

## P42

## Assets and liabilities at fair value, cont

31 Dec 2012, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
<b>Assets</b>				
Loans to credit institutions	—	1,045	—	1,045
Loans to the public	—	4,502	—	4,502
Debt securities <sup>1</sup>	10,875	4,870	163	15,908
Shares	4,712	—	30	4,742
Derivatives	13	5,839	—	5,852
<b>Liabilities</b>				
Deposits by credit institutions	—	1,959	—	1,959
Deposits and borrowings from the public	—	2,498	—	2,498
Derivatives	17	4,148	0	4,165
Other liabilities	—	560	—	560

1) Of which EUR 5,418m Treasury bills and EUR 10,386m Interest-bearing securities (the portion held at fair value in Note P41). EUR 104m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2011, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
<b>Assets</b>				
Loans to credit institutions	—	3,540	—	3,540
Loans to the public	—	2,678	—	2,678
Debt securities <sup>1</sup>	14,067	3,320	163	17,550
Shares	1,097	4	34	1,135
Derivatives	69	4,270	—	4,339
Other assets	—	166	—	166
Prepaid expenses and accrued income	—	10	—	10
<b>Liabilities</b>				
Deposits by credit institutions	—	3,389	—	3,389
Deposits and borrowings from the public	—	509	—	509
Derivatives	99	2,915	0	3,014
Other liabilities	—	664	—	664
Accrued expenses and prepaid income	2	117	—	119

1) Of which EUR 3,377m Treasury bills and EUR 12,936m Interest-bearing securities (the portion held at fair value in Note P41). EUR 1,237m relates to the balance sheet item Financial instruments pledged as collateral.

## Movements in level 3

The following table shows a reconciliation of the opening and closing carrying amounts of level 3 financial assets and liabilities

31 Dec 2012, EURm	1 Jan 2012	Fair value gains/losses recognised in the income statement during the year					Net transfers into/out of level 3	Translation differences	31 Dec 2012
		Realised	Unrealised <sup>1</sup>	Purchases	Sales	Settlements			
Debt securities	163	—	—	—	—	—	—	—	163
Shares	34	—	—	—	—	—4	—	—	30
Derivatives (net of assets and liabilities)	0	—	—	—	—	—	—	—	0

1) Relates to those assets and liabilities held at the end of the reporting period.

31 Dec 2011, EURm	1 Jan 2011	Fair value gains/losses recognised in the income statement during the year					Net transfers into/out of level 3	Translation differences	31 Dec 2011
		Realised	Unrealised <sup>1</sup>	Purchases	Sales	Settlements			
Debt securities	7	—	—1	157	—	—	—	—	163
Shares	43	—11	—	2	—	—	—	—	34
Derivatives (net of assets and liabilities)	—1	—	—	1	—	—	—	—	0

1) Relates to those assets and liabilities held at the end of the reporting period.

## P42

## Assets and liabilities at fair value, cont

**Transfers between level 1 and 2**

During the year, the parent company has transferred debt securities of EUR 871m (EUR 671m) from level 1 to level 2 and EUR 453m (EUR 15m) from level 2 to level 1 of the fair value hierarchy for financial assets and liabilities at fair value. The reason for transfers from level 1 to level 2 was

that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for transfers from level 2 to level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the markets.

## P43

## Assets and liabilities in foreign currencies

31 Dec 2012, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
<b>Assets</b>							
Treasury bills	1.5	2.1	—	0.2	1.3	—	5.1
Loans to credit institutions	19.9	21.1	6.3	1.4	11.6	7.7	68.0
Loans to the public	7.1	20.6	1.4	0.6	5.1	1.4	36.2
Interest-bearing securities	0.7	10.0	0.4	0.3	0.2	—	11.6
Other assets	13.9	5.9	1.9	2.5	2.0	5.0	31.2
<b>Total assets</b>	<b>43.1</b>	<b>59.7</b>	<b>10.0</b>	<b>5.0</b>	<b>20.2</b>	<b>14.1</b>	<b>152.1</b>
<b>Liabilities and equity</b>							
Deposits by credit institutions	8.5	3.1	1.1	—	4.0	2.6	19.3
Deposits and borrowings from the public	6.6	40.1	0.9	0.3	1.3	1.1	50.3
Debt securities in issue	22.0	2.6	4.3	—	9.5	9.9	48.3
Provisions	—	0.1	—	—	—	—	0.1
Subordinated liabilities	3.5	0.4	—	—	2.9	0.3	7.1
Other liabilities and equity	8.6	14.0	0.2	1.6	2.1	0.5	27.0
<b>Total liabilities and equity</b>	<b>49.2</b>	<b>60.3</b>	<b>6.5</b>	<b>1.9</b>	<b>19.8</b>	<b>14.4</b>	<b>152.1</b>
<b>31 Dec 2011, EURbn</b>	<b>EUR</b>	<b>SEK</b>	<b>DKK</b>	<b>NOK</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>							
Treasury bills	1.0	2.4	—	—	0.3	—	3.7
Loans to credit institutions	24.8	18.6	0.1	0.7	12.4	2.8	59.4
Loans to the public	5.6	21.9	2.3	0.7	4.8	1.2	36.5
Interest-bearing securities	3.6	9.4	1.5	—	0.1	—	14.6
Other assets	17.3	1.7	0.0	2.6	2.8	2.8	27.2
<b>Total assets</b>	<b>52.3</b>	<b>54.0</b>	<b>3.9</b>	<b>4.0</b>	<b>20.4</b>	<b>6.8</b>	<b>141.4</b>
<b>Liabilities and equity</b>							
Deposits by credit institutions	10.5	3.2	0.1	0.4	6.5	1.7	22.4
Deposits and borrowings from the public	5.4	37.5	0.1	0.3	0.8	0.2	44.3
Debt securities in issue	28.6	2.7	0.0	0.3	9.3	4.5	45.4
Provisions	—	0.1	—	—	—	—	0.1
Subordinated liabilities	2.7	0.0	—	—	3.2	0.2	6.1
Other liabilities and equity	5.3	10.5	3.7	3.0	0.4	0.2	23.1
<b>Total liabilities and equity</b>	<b>52.5</b>	<b>54.0</b>	<b>3.9</b>	<b>4.0</b>	<b>20.2</b>	<b>6.8</b>	<b>141.4</b>

## P44

## Transferred assets and obtained collaterals

**Transferred assets that are still recognised on the balance sheet and associated liabilities**

All assets transferred and the liabilities associated with these transactions are specified in the following tables. The assets continue to be recognised on the balance sheet since Nordea is still exposed to changes in the fair value of the assets. Therefore, these assets and its associated liabilities are included in the tables below.

EURm	31 Dec 2012	31 Dec 2011
<b>Repurchase agreements</b>		
Treasury bills	104	1,237
<b>Total</b>	<b>104</b>	<b>1,237</b>

**Liabilities associated with the assets**

EURm	31 Dec 2012	31 Dec 2011
<b>Repurchase agreements</b>		
Deposits by credit institutions	104	1,258
<b>Total</b>	<b>104</b>	<b>1,258</b>

**Obtained collaterals which are permitted to be sold or repledged**

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2012	31 Dec 2011
<b>Reverse repurchase agreements</b>		
Received collaterals which can be repledged or sold	309	233
– of which repledged or sold	—	—
<b>Securities borrowing agreements</b>		
Received collaterals which can be repledged or sold	4,052	2,180
– of which repledged or sold	4,052	2,180
<b>Total</b>	<b>4,361</b>	<b>2,413</b>

## P45

## Maturity analysis for assets and liabilities

**Remaining maturity**

31 Dec 2012, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		180	—	—	—	—	—	180
Treasury bills	P14	—	217	0	4,134	741	—	5,092
Loans to credit institutions	P15	8,943	28,767	9,222	15,702	5,372	—	68,006
Loans to the public	P15	4,613	11,541	4,165	15,207	688	—	36,214
Interest-bearing securities	P16	0	456	1,600	9,183	355	—	11,594
Financial instruments pledged as collateral	P17	—	—	104	—	—	—	104
Derivatives	P19	—	169	255	3,302	2,126	—	5,852
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	—	–11	–457	–689	—	–1,157
<b>Total assets with fixed maturities</b>		<b>13,736</b>	<b>41,150</b>	<b>15,335</b>	<b>47,071</b>	<b>8,593</b>	<b>—</b>	<b>125,885</b>
Other assets		—	—	—	—	—	26,245	26,245
<b>Total assets</b>		<b>13,736</b>	<b>41,150</b>	<b>15,335</b>	<b>47,071</b>	<b>8,593</b>	<b>26,245</b>	<b>152,130</b>

## P45

## Maturity analysis for assets and liabilities, cont.

Deposits by credit institutions	P27	2,682	9,323	3,316	3,444	577	—	19,342
Deposits and borrowings from the public	P28	36,868	10,142	3,244	9	0	—	50,263
– of which Deposits		35,427	10,142	3,244	9	0	—	48,822
– of which Borrowings		1,441	0	0	0	0	—	1,441
Debt securities in issue	P29	—	13,968	6,647	20,455	7,215	—	48,285
– of which Debt securities in issue		—	13,864	6,647	20,455	7,215	—	48,181
– of which Other		—	104	—	—	—	—	104
Derivatives	P19	—	308	224	2,788	846	—	4,166
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	—	—	6	10	—	16
Subordinated liabilities	P24	—	—	5	191	6,935	—	7,131
<b>Total liabilities with fixed maturities</b>		<b>39,550</b>	<b>33,741</b>	<b>13,436</b>	<b>26,893</b>	<b>15,583</b>	<b>—</b>	<b>129,203</b>
Other liabilities		—	—	—	—	—	3,552	3,552
Equity		—	—	—	—	—	19,375	19,375
<b>Total liabilities and equity</b>		<b>39,550</b>	<b>33,741</b>	<b>13,436</b>	<b>26,893</b>	<b>15,583</b>	<b>22,927</b>	<b>152,130</b>

## Remaining maturity

31 Dec 2011, EURm	Note	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks		152	—	—	—	—	—	152
Treasury bills	P14	—	181	353	2,783	413	—	3,730
Loans to credit institutions	P15	7,900	27,567	13,781	7,030	3,101	—	59,379
Loans to the public	P15	4,669	12,572	4,125	14,481	574	—	36,421
Interest-bearing securities	P16	—	4,389	3,894	6,212	89	—	14,584
Financial instruments pledged as collateral	P17	—	50	405	769	13	—	1,237
Derivatives	P19	—	121	297	2,359	1,562	—	4,339
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	–657	49	56	–80	—	–632
<b>Total assets with fixed maturities</b>		<b>12,721</b>	<b>44,223</b>	<b>22,904</b>	<b>33,690</b>	<b>5,672</b>	<b>—</b>	<b>119,210</b>
Other assets		—	—	—	—	—	22,171	22,171
<b>Total assets</b>		<b>12,721</b>	<b>44,223</b>	<b>22,904</b>	<b>33,690</b>	<b>5,672</b>	<b>22,171</b>	<b>141,381</b>
Deposits by credit institutions	P27	1,166	19,242	938	752	343	—	22,441
Deposits and borrowings from the public	P28	34,440	8,645	1,151	153	—	—	44,389
– of which Deposits		33,270	8,645	1,151	153	—	—	43,219
– of which Borrowings		1,170	—	—	—	—	—	1,170
Debt securities in issue	P29	0	16,117	7,657	16,168	5,425	—	45,367
– of which Debt securities in issue		0	16,018	7,657	16,168	5,425	—	45,268
– of which Other		—	99	—	—	—	—	99
Derivatives	P19	—	247	266	1,920	581	—	3,014
Fair value changes of the hedged items in portfolio hedge of interest rate risk	P20	—	430	152	1,198	–1,633	—	147
Subordinated liabilities	P34	—	—	—	499	5,655	—	6,154
<b>Total liabilities with fixed maturities</b>		<b>35,606</b>	<b>44,681</b>	<b>10,164</b>	<b>20,690</b>	<b>10,371</b>	<b>—</b>	<b>121,512</b>
Other liabilities		—	—	—	—	—	2,948	2,948
Equity		—	—	—	—	—	16,921	16,921
<b>Total liabilities and equity</b>		<b>35,606</b>	<b>44,681</b>	<b>10,164</b>	<b>20,690</b>	<b>10,371</b>	<b>19,869</b>	<b>141,381</b>

In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 26,270m (EUR 25,098m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 86,288m (EUR 24,716m) which may lead to future cash outflows if certain events occur.

## P46

## Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1, section 26 and Note G47.

EURm	Group undertakings		Associated undertakings		Other related parties	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<b>Assets</b>						
Loans and receivables	66,608	57,981	44	52	—	—
Interest-bearing securities	231	1,258	—	—	—	—
Derivatives	2,062	1,297	26	—	—	—
Investments in associated undertakings	—	—	8	5	—	—
Investments in group undertakings	17,659	16,713	—	—	—	—
Other assets	442	431	—	—	—	—
Prepaid expenses and accrued income	725	716	—	—	—	—
<b>Total assets</b>	<b>87,727</b>	<b>78,396</b>	<b>78</b>	<b>57</b>	<b>—</b>	<b>—</b>

EURm	Group undertakings		Associated undertakings		Other related parties	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<b>Liabilities</b>						
Deposits	8,652	11,852	1	1	27	20
Debt securities in issue	156	54	—	—	—	—
Derivatives	3,138	2,265	—	8	—	—
Other liabilities	223	207	—	—	—	—
Accrued expenses and deferred income	378	25	—	—	—	—
Subordinated loans	—	309	—	—	—	—
<b>Total liabilities</b>	<b>12,547</b>	<b>14,712</b>	<b>1</b>	<b>9</b>	<b>27</b>	<b>20</b>
<b>Off balance<sup>1</sup></b>	<b>90,565</b>	<b>29,599</b>	<b>1,910</b>	<b>2,068</b>	<b>—</b>	<b>—</b>

1) Including guarantees to Nordea Bank Finland Plc and Nordea Bank Polska S.A., see Note P 38 as well as nominal values on derivatives in associated undertakings.

EURm	Group undertakings		Associated undertakings		Other related parties	
	2012	2011	2012	2011	2012	2011
Net interest income and expenses	601	623	1	1	—	—
Net fee and commission income	230	172	—	—	—	—
Net result from items at fair value	–351	–556	40	–4	0	0
Other operating income	473	103	—	—	—	—
Total operating expenses	–158	–46	—	—	—	—
<b>Profit before loan losses</b>	<b>795</b>	<b>296</b>	<b>41</b>	<b>–3</b>	<b>0</b>	<b>0</b>

#### Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7.

#### Other related-party transactions

Nordea Bank AB (publ) takes part in a guarantee consortium to support Norwegian Eksportfinans ASA. For further information, see Note G46.

# Signing of the Annual Report

The Board of Directors and the President and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European parliament and councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

6 February 2013

Björn Wahlroos  
*Chairman*

Marie Ehrling  
*Vice Chairman*

Stine Bosse  
*Board member*

Peter F Braunwalder  
*Board member*

Svein Jacobsen  
*Board member*

Ole Lund Jensen  
*Board member<sup>1</sup>*

Tom Knutzen  
*Board member*

Steinar Nickelsen  
*Board member<sup>1</sup>*

Lars G Nordström  
*Board member*

Lars Oddestad  
*Board member<sup>1</sup>*

Sarah Russell  
*Board member*

Kari Stadigh  
*Board member*

Christian Clausen  
*President and CEO*

Our audit report was submitted on 7 February 2013

KPMG AB

Carl Lindgren  
*Authorised Public Accountant*

<sup>1</sup>) Employee representative.

# Auditor's report

To the annual meeting of the shareholders of Nordea Bank AB (publ)  
Corporate identity number 516406-0120

## **Report on the annual accounts and the consolidated accounts**

We have audited the annual accounts and the consolidated accounts of Nordea Bank AB (publ) for the year 2012. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 47–205.

*Responsibilities of the Board of Directors and the Managing Director for the annual accounts and the consolidated accounts*  
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Director's report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2012.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Business Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the com-

pany in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

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

#### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Director's report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 7 February 2013

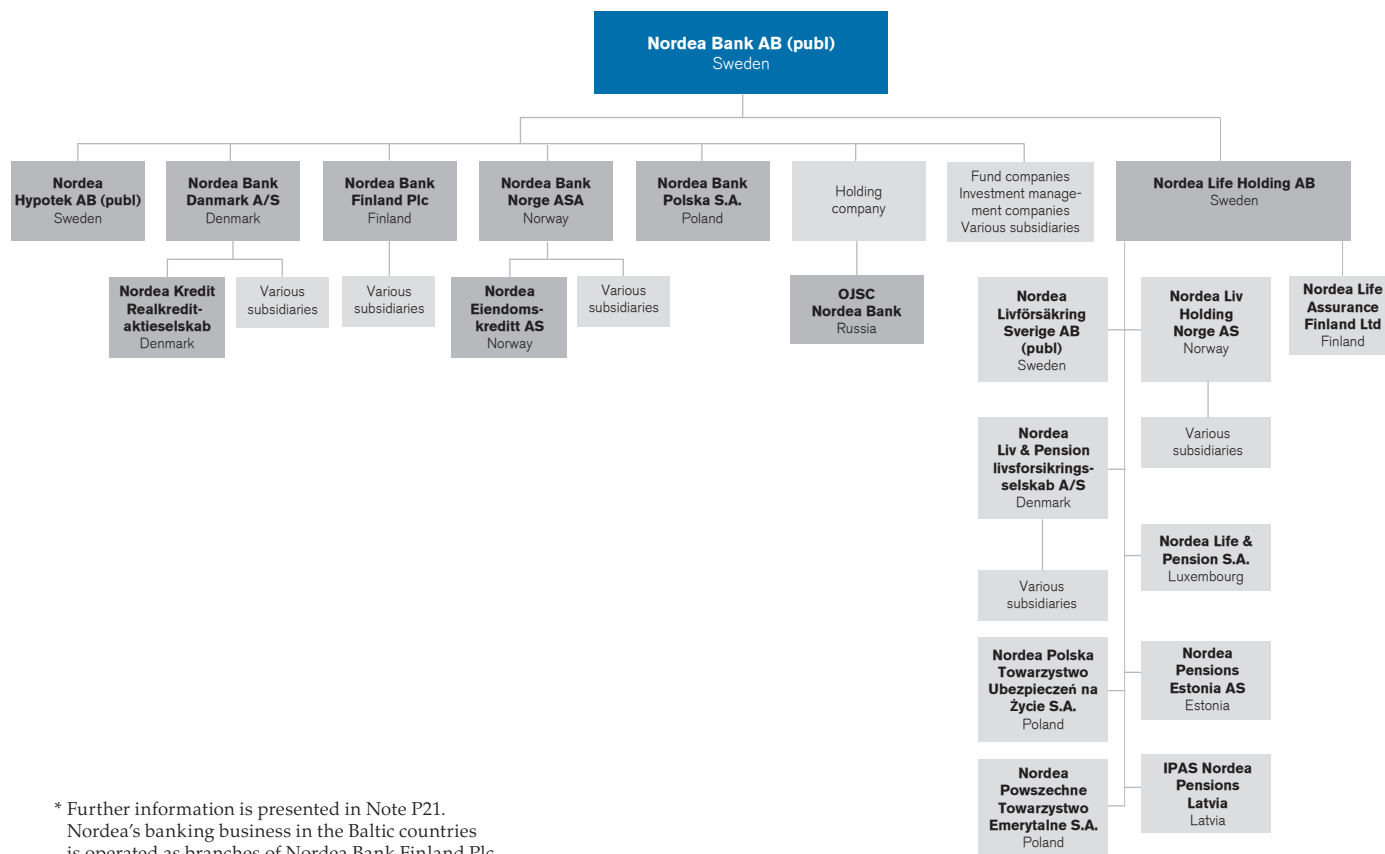
KPMG AB

Carl Lindgren

*Authorised Public Accountant*

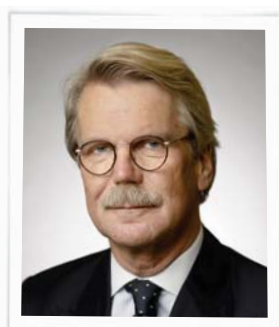
## Legal structure

Main legal structure\*, as of 31 December 2012

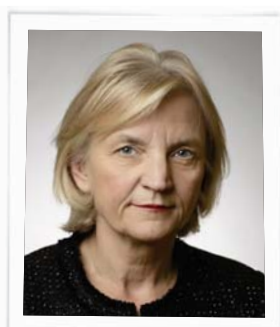


\* Further information is presented in Note P21. Nordea's banking business in the Baltic countries is operated as branches of Nordea Bank Finland Plc.

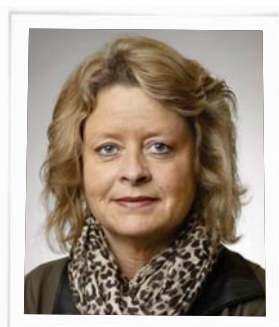
# Board of Directors



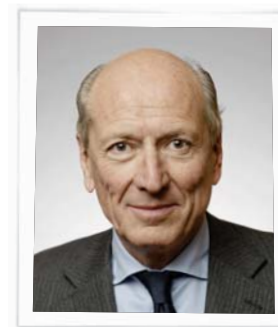
Björn Wahlroos



Marie Ehrling



Stine Bosse



Peter F Braunwalder



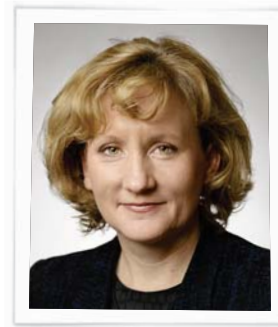
Svein Jacobsen



Tom Knutzen



Lars G Nordström



Sarah Russell

## **Björn Wahlroos**

### *Chairman*

Ph.D (Economics), 1979. Board member since 2008 and Chairman since 2011. Born 1952. Nationality Finnish.  
Board Chairman of Sampo plc, UPM-Kymmene Oyj and Hanken School of Economics.  
Board member of several charities, including the Finnish Business and Policy Forum EVA/ETLA and the Mannerheim Foundation.

### Previous positions:

2001–2009 Group CEO and President of Sampo plc  
2005–2007 Chairman of Sampo Bank plc  
1998–2000 Chairman of Mandatum Bank plc  
1992–1997 President of Mandatum & Co Ltd  
1985–1992 Various positions with Union Bank of Finland including executive vice president and member of the executive committee 1989–1992  
1983–1984 Visiting associate professor in Managerial Economics and Decision Sciences at Kellogg Graduate School of Management, Northwestern University  
1980–1981 Visiting assistant professor in Economics at Brown University  
1979–1985 Professor and acting professor of Economics at the Swedish School of Economics  
1974–1979 Acting lecturer and assistant professor in Finance at the Swedish School of Economics

Shareholding in Nordea: 100,000\*

## **Marie Ehrling**

### *Vice Chairman*

BSc (Economics). Board member since 2007. Born 1955. Nationality Swedish.  
Board Chairman of the Norwegian Swedish Chamber of Commerce. Board member of Securitas AB, Loomis AB, Oriflame Cosmetics SA, Schibsted ASA, Safe Gate AB, Axel Johnson AB, Centre for Advanced Studies of Leadership at Stockholm School of Economics and World Childhood Foundation.  
Member of the Royal Swedish Academy of Engineering Sciences (IVA).

### Previous positions:

2003–2006 CEO TeliaSonera Sverige AB  
1982–2002 Deputy CEO SAS Group, Head of SAS Airline and other executive positions within the SAS group  
1980–1982 Information officer at the Ministry of Finance  
1979–1980 Information officer at the Ministry of Education  
1977–1979 Financial analyst at Fourth Swedish National Pension Fund

Shareholding in Nordea: 3,075\*

## **Stine Bosse**

Master of Law. Board member since 2008. Born 1960.

Nationality Danish.

Board Chairman of Børnefonden, Flügger A/S, The Royal Danish Theatre, CONCITO and Copenhagen Art Festival.  
Board member of TDC A/S, Aker ASA and Allianz SE.  
Member of INSEAD, Danish Council.  
Advocate for the MDG goals for UN.

### Previous positions:

2008–2012 Non-executive Director of Amlin Plc  
2002–2011 Group CEO of Tryg A/S  
2004–2006 Board Member of TDC  
2002–2005 Board Member of Flügger  
1987–2001 Various positions within Tryg Forsikring A/S. Senior Vice President 1999–2002

Shareholding in Nordea: 2,917\*

## **Peter F Braunwalder**

Lic.rer.pol (Master of Economics). Board member since 2012.

Born 1950. Nationality Swiss and British.

Board Chairman of Thommen Medical AG.  
Board member of the Menuhin Festival Gstaad.

### Previous positions:

2002–2008 Chief Executive Officer HSBC Private Bank.  
1982–2001 Various executive management and other positions within UBS investment banking and private banking

Shareholding in Nordea: 0\*

## **Svein Jacobsen**

MBA. Certified public accountant. Board member since 2008.

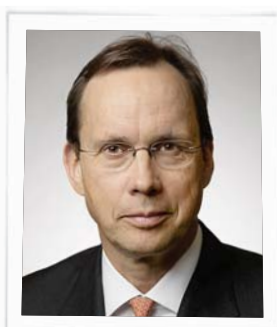
Born 1951. Nationality Norwegian.

Board Chairman of Vensafe AS, PSI Group ASA and Falkenberg AS.  
Board member of Heidenreich Holding AS and Isco Group AS.  
Member of the Advisory Board in CVC Capital Partners.

### Previous positions:

2000–2011 Deputy Chairman of Orkla ASA.  
2000–2010 Board Chairman Expert ASA  
2007–2009 Board Chairman Think Global ASA  
1984–1996 Various positions within Tomra Systems including CEO 1988–1996

Shareholding in Nordea: 5,000\*



Kari Stadigh



Kari Ahola



Ole Lund Jensen



Steinar Nickelsen



Lars Oddestad

#### Tom Knutzen

MSc (Economics). Board member since 2007. Born 1962. Nationality Danish. CEO Jungbunzlauer Suisse AG. Board member of FLSmidt & Co A/S.

Previous positions:

2006–2011 CEO Danisco A/S  
2000–2006 CEO NKT Holding A/S  
1996–2000 CFO NKT Holding A/S  
1988–1996 Various positions within Niro A/S  
1985–1988 Various positions within Fællesbanken

Shareholding in Nordea: 47,750\*

#### Lars G Nordström

Law studies at Uppsala University. Board member since 2003. Born 1943. Nationality Swedish. Board Chairman of Vattenfall AB and the Finnish-Swedish Chamber of Commerce. Board member of Viking Line Abp and the Swedish-American Chamber of Commerce. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Honorary Consul of Finland in Sweden.

Previous positions:

2008–2011 President and Group CEO of Posten Norden AB  
2006–2010 Board member of TeliaSonera AB  
2005–2009 Board Chairman of the Royal Swedish Opera  
2002–2007 President and Group CEO of Nordea Bank AB  
1993–2002 Various executive management positions within Nordea Group  
1970–1993 Various positions within Skandinaviska Enskilda Banken (EVP from 1989)

Shareholding in Nordea: 23,250\*

#### Sarah Russell

Master of Applied Finance. Board member since 2010. Born 1962. Nationality Australian. CEO Aegon Asset Management.

Previous positions:

1994–2008 Various executive management positions within ABN AMRO, including Senior Executive Vice President and CEO of ABN AMRO Asset Management 2006–2008  
1981–1994 Various management and other positions in Financial Markets within Toronto Dominion Australia Ltd

Shareholding in Nordea: 0\*

#### Kari Stadigh

Master of Science (Engineering) and Bachelor of Business Administration. Board member since 2010. Born 1955. Nationality Finnish. Group CEO and President of Sampo plc. Board Chairman of If P&C Insurance Holding AB (publ), Kaleva Mutual Insurance Company and Mandatum Life Insurance Company Limited. Vice Chairman of the Confederation of Finnish Industries EK. Board member of Nokia Corporation.

Previous positions:

2001–2009 Deputy CEO of Sampo plc  
1999–2000 President of Sampo Life Insurance Company Ltd  
1996–1998 President of Nova Life Insurance Company Ltd  
1991–1996 President of Jaakko Pöyry Group  
1985–1991 President of JP Finance Oy

Shareholding in Nordea: 100,000\*

*Employee representatives:*

#### Kari Ahola

Board member from 2006. Born 1960. Shareholding in Nordea: 0\*

#### Ole Lund Jensen

Board member from 2009. Born 1960. Shareholding in Nordea: 4,440\*

#### Steinar Nickelsen

Board member since 2007. Born 1962. Shareholding in Nordea: 0\*

#### Lars Oddestad

Board member from 2009. Born 1950. Shareholding in Nordea: 0\*

\* Shareholdings, as of 31 December 2012, also include shares held by family members and closely affiliated legal entities.

# Group Executive Management



Group Executive Management as of February 2013, from left to right:  
Peter Nyegaard, Ari Kaperi, Casper von Koskull, Gunn Wærsted, Christian Clausen, Michael Rasmussen, Torsten Hagen Jørgensen.

## **Christian Clausen**

President and Group CEO since 2007.  
Master of Science (Economics). Appointed member of GEM 2001.  
Born 1955.  
President of the European Banking Federation  
Chairman of the Swedish Bankers' Association

### Previous positions:

2000–2007 Executive Vice President, Head of Asset Management  
& Life, Member of Group Management; Nordea  
1998–2000 Member of Executive Board, Unibank  
1996–1998 Managing Director and Chief Executive,  
Unibank Markets  
1990–1996 Managing Director and Chief Executive of  
Unibørs Securities  
1988–1990 Managing Director of Privatbørsen  
Shareholding: 143,099 Nordea<sup>1</sup>

## **Torsten Hagen Jørgensen**

Executive Vice President, CFO, Head of Group Corporate Centre  
and Head of Group Operations.  
Born 1965.  
Appointed member 2011.  
Shareholding: 37,500 Nordea<sup>1</sup>

## **Ari Kaperi<sup>2</sup>**

Executive Vice President, CRO, Head of Group  
Risk Management.  
Born 1960.  
Appointed member 2008.  
Shareholding: 43,119 Nordea<sup>1</sup>

## **Casper von Koskull**

Executive Vice President, Head of Wholesale Banking.  
Born 1960.  
Appointed member 2010.  
Shareholding: 55,000 Nordea<sup>1</sup>

## **Peter Nyegaard**

Executive Vice President, Chief Operating Officer of Wholesale  
Banking.  
Born 1963.  
Appointed member 2011.  
Shareholding: 36,059 Nordea<sup>1</sup>

## **Michael Rasmussen<sup>2</sup>**

Executive Vice President, Head of Retail Banking.  
Born 1964.  
Appointed member 2008.  
Shareholding: 43,500 Nordea<sup>1</sup>

## **Gunn Wærsted<sup>2</sup>**

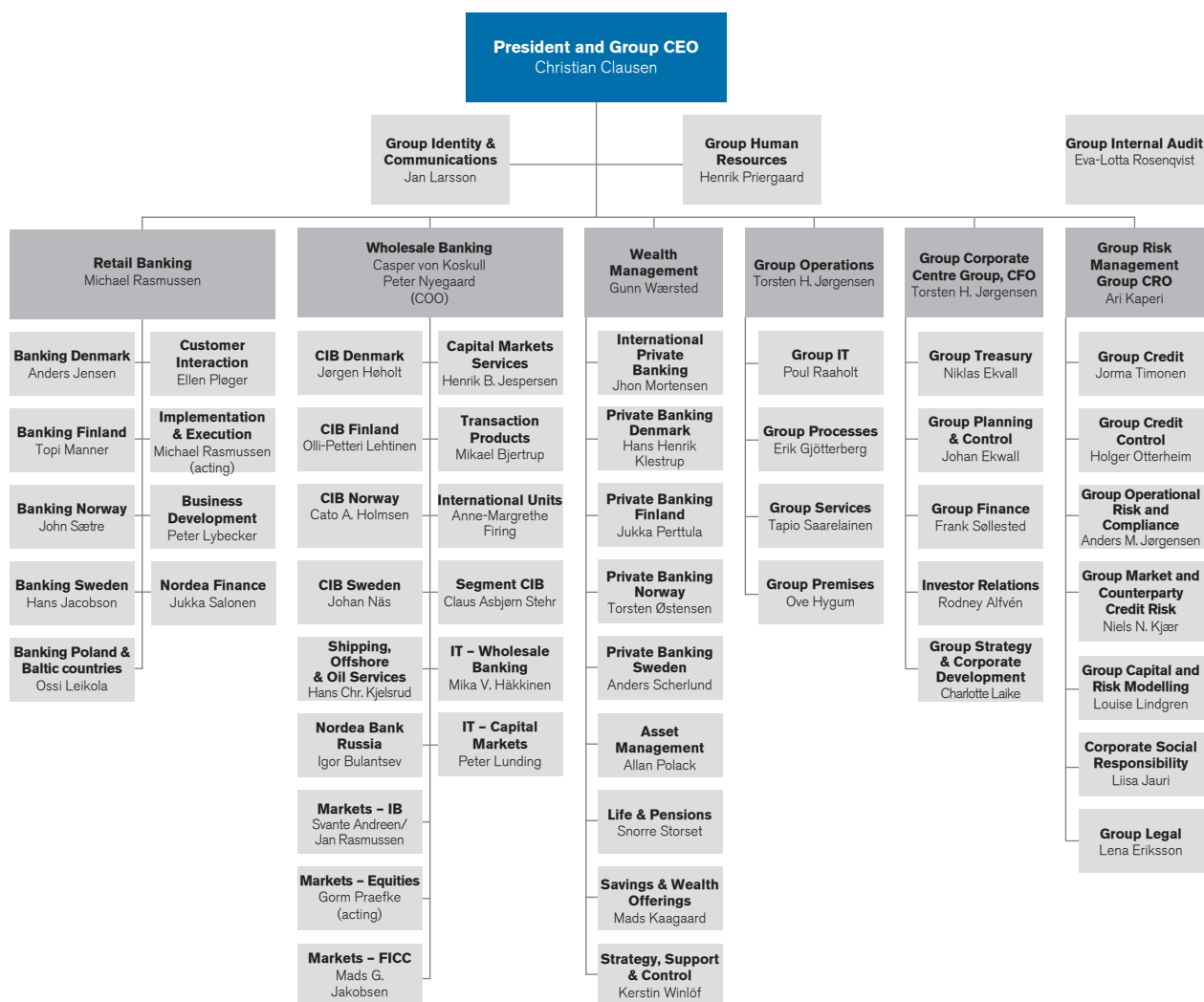
Executive Vice President, Head of Wealth Management.  
Born 1955.  
Appointed member 2007.  
Shareholding: 77,159 Nordea<sup>1</sup>

1) Shareholdings as of 31 December 2012, also include shares held by family members  
and closely affiliated legal entities.

2) Country Senior Executive.

# Group Organisation

As of February 2013



## Ratings

	Moody's Investors Service		Standard & Poor's		Fitch		DBRS	
	Short	Long	Short	Long	Short	Long	Short	Long
Nordea Bank AB (publ)	P-1	Aa2	A-1+	AA <sup>-2</sup>	F1+	AA-	R-1 (high)	AA
Nordea Bank Danmark A/S	P-1	Aa3	A-1+	AA <sup>-2</sup>	F1+	AA-	R-1 (high)	AA
Nordea Bank Finland Plc	P-1	Aa2	A-1+	AA <sup>-2</sup>	F1+	AA-	R-1 (high)	AA
Nordea Bank Finland Plc, covered bonds		Aaa <sup>1</sup>						
Nordea Bank Norge ASA	P-1	Aa2	A-1+	AA <sup>-2</sup>	F1+	AA-	R-1 (high)	AA
Nordea Hypotek AB (publ)		Aaa <sup>1</sup>		AAA <sup>1</sup>				
Nordea Kredit Realkreditatieselskab		Aaa <sup>1</sup>		AAA <sup>1</sup>				
Nordea Eiendomskreditt AS		Aaa <sup>1</sup>						

1) Covered bond rating.

2) Negative outlook.

# Annual General Meeting 14 March 2013

Nordea's Annual General Meeting (AGM) 2013 will be held on Thursday 14 March at 13.00 CET at Aula Magna, at Stockholm University, Frescativägen 6, Stockholm.

## Notification of participation etc

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 8 March 2013 and notify Nordea. Shareholders whose shares are held in custody therefore must temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be able to participate. This applies for example to holders of Finnish Depositary Receipts in Finland and holders of shares registered in VP Securities in Denmark. Such re-registration must be effected in Euroclear Sweden AB in Sweden on 8 March 2013. This means that the shareholder in good time prior to this date must inform the trustee about this.

## Shareholders registered in Euroclear Sweden AB in Sweden

Notification of participation in the AGM must be made to Nordea Bank AB (publ) at the latest on 8 March 2013 preferably before 13.00 Swedish time at the following address: Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page [www.nordea.com](http://www.nordea.com).

## Holders of Finnish Depositary Receipts (FDR) in Finland

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 7 March 2013 at 12.00 noon Finnish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page [www.nordea.com](http://www.nordea.com).

## Shareholders registered in VP Securities in Denmark

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 7 March 2013 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's web page [www.nordea.com](http://www.nordea.com).

# Financial calendar

## Financial calendar 2013

Capital Markets Day, London (and webcast)	6 March
Annual General Meeting	14 March
Ex-dividend date	15 March
Record date	19 March
Dividend payments	26 March
1st quarter report	24 April
2nd quarter report	17 July
3rd quarter report	23 October

## Contacts

Torsten Hagen Jørgensen, Group CFO/EVP  
Phone: +46 8 614 78 00

Investor Relations  
Rodney Alfvén, Head of Investor Relations  
Andreas Larsson  
Emma Nilsson  
Andrew Crayford  
Carolina Brikho

SE-105 71 Stockholm, Sweden Phone: +46 8 614 92 77

## Website

All reports and press releases are available on the Internet at: [www.nordea.com](http://www.nordea.com). Financial reports published by the Nordea Group may be ordered on the website and via Investor Relations.

The annual reports of Nordea Bank Danmark A/S, Nordea Bank Norge ASA and Nordea Bank Finland Plc can be downloaded at [www.nordea.com](http://www.nordea.com)

Nordea's report on Capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Directive, is presented on [www.nordea.com](http://www.nordea.com).

## The Annual Report 2012

This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 207. The original annual report is in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).



