

## **Interim Report January–June 2015**

### **Nordea Bank Finland Plc**

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*Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 650 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.*

# Nordea Bank Finland Group

## Result summary January-June 2015

The first half of 2015 showed an increase of 14% in total income to EUR 1,389m (1,219). Total expenses decreased 11% and amounted to EUR 480m (538). Net loan losses increased slightly to EUR 55m (49). (The comparison figures in brackets refer to the first six months of 2014.)

NBF's operating profit increased 35% compared to the same period last year and amounted to EUR 854m (632). Return on equity was 13.5 % (10.8) and the cost/income ratio 35% (44). Net profit increased 30% to EUR 656m (506).

## Macroeconomic trend

The global economy continued to grow at a moderate pace in the first half of the year. After a weak start of the year, the US economy gained momentum in the second quarter. The overall positive picture induced the Federal Reserve to cautiously signal that policy rate hikes could be announced later this year. The Euro-area economy started to show positive signs of momentum as activity pick up after several years of lacklustre development. Core inflation increased from the low levels witnessed in the beginning of the year while lending growth to banks and households showed the strongest increase since the beginning of 2012. Developments in the negotiations between the Greek government and Greece's creditors have been a predominant market driver for risk appetite in the financial markets during the first half of 2015.

## Market performance in Finland in January-June 2015

The Finnish economy contracted 0.1% in Q1 compared to the previous quarter, a second decline in a row. Shockingly, the economy has grown in only two quarters over the past three years. Based on what we know about Q2, no major improvement has taken place in the big picture. The economic weakness continues to be stubborn and broad-based. In the absence of growth the outlook for H2 remains challenging for investment, employment, household sector purchasing power and consumption. Unemployment has risen somewhat higher than expected. Depressed demand is reflected as one of the lowest economic sentiments within EU countries. On the positive side, new mortgages are now trending up and

sales volumes in the housing market have increased moderately especially in the capital area, while prices have still declined slightly. The economic sentiment should, however, improve towards the end of 2015. The global upswing is spreading wider and wider, and should gradually strengthen international demand and eventually boost Finnish exports.

## Legal structure of the Nordea Group

As part of the simplification of the processes Nordea has initiated preparatory work and dialogue with the authorities in the Nordic countries regarding the legal structure. The purpose is to continue to simplify the legal structure by changing the Norwegian, Danish and Finnish subsidiary banks to branches.

By simplifying and changing into a branch structure we will strengthen governance, decrease administrative complexity and become more efficient. It will not lead to changes in our presence in each country nor to changes for our employees or the way we service our customers, but will support our work to increase our agility and scale benefits.

Discussions with the authorities have been initiated and the process is expected to take approximately two years. The changes in legal structure depend on approval and a satisfactory outcome of the discussions with the authorities in each country. A decision about a future legal structure is subject to approval by Nordea's shareholders at a general meeting.

## Changes in NBF's group structure

Nordea Bank Finland Plc sold on 1 January 2015 its operations in London and Frankfurt branches to the parent company Nordea Bank AB (publ). Operations in the Baltic branches and some Baltic subsidiaries were sold on 1 April 2014 to Nordea Bank AB (publ) as well.

The transferred operations have continued as before in Nordea. The impact of the transaction on NBF is not material. However, the income statement impact including both the sale of London and Frankfurt branches and the sale of the Baltic operations is presented in a separate Note 12 for comparison purposes. The balance sheet impact of the sale was EUR -0.7bn as of year-end 2014.

Throughout this report, "Nordea Bank Finland" and "NBF" refer to the parent company Nordea Bank Finland Plc, business identity code 1680235-8, with its subsidiaries. The registered office of the company is in Helsinki. Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the listed parent company of the whole Nordea Group. The business operations of the Nordea Group have been organised in three business areas, with full responsibility for their value chains: Retail Banking, Wholesale Banking and Wealth Management. The consolidated interim report of Nordea Bank AB (publ) embraces all the activities of the Nordea Group and provides the most complete and fair view. This statutory interim report covers the operations of the legal entity Nordea Bank Finland Plc with its subsidiaries.

## Comments on the income statement

### *Income*

Net interest income decreased 11% compared to the first half last year and amounted to EUR 527m (595). The decrease is mainly due to the above mentioned sale of foreign operations to Nordea Bank AB (publ). Lending volumes increased 5% year-on-year. Excluding reverse repurchase agreements, lending decreased 2%. Deposits and borrowings from the public increased 6% year-on-year. Excluding repurchase agreements, total deposits were up 7%. Lending margins increased compared to the first half of 2014 whereas deposit margins are still under pressure.

Net fee and commission income was EUR 27m (40). Commission income was somewhat lower than in the first half of 2014 due to the sale of foreign operations and amounted to EUR 382m (400). Savings-related commissions developed positively. Commission expenses decreased to EUR 355m as no bank tax was paid in 2015. Higher transaction fees partly offset the positive impact from the bank tax.

Net result from items at fair value increased 41% to EUR 786m (556), due to higher activity in the customer business and favourable market making conditions.

Profit from companies accounted for under the equity method was to EUR 2m (1).

Other operating income was EUR 47m (27). EUR 35m related to the sale of foreign operations to Nordea Bank AB (publ).

### *Expenses*

Total operating expenses decreased to EUR 480m (538).

Staff costs decreased 11% to EUR 264 (296), explained mainly by the redundancy reservations in the first half of 2014 as well as the sale of foreign operations. The number of employees has decreased by around 160 from the first half of 2014 and by around 40 compared to the year-end 2014.

Other operating expenses were lower than in the corresponding period last year and totalled EUR 202m (221). Main part of the decrease relates to the sold operations but also marketing and real estate expenses were lower.

Depreciation of tangible and intangible assets amounted to EUR 14m (21).

The cost/income ratio was 35% (44) in the first half of 2015.

### *Loan losses*

Net loan losses increased somewhat to EUR 55m (49) corresponding to a loan loss ratio of 10 basis points (9). The impact of the guarantee between NBF and Nordea Bank AB (publ) was EUR 3m negative (EUR 27m positive).

### *Taxes*

The effective tax rate for the first half of 2015 was approximately 23% (20).

### *Net profit*

Net profit increased 30% to EUR 656m (506), corresponding to a return on equity of 13.5% compared to 10.8% in the first half of last year.

## Comments on the balance sheet

(Comparison figures in brackets refer to December 2014 figures.)

The total assets of NBF amounted to EUR 356bn (346).

Total loans to the public increased 2% compared to the end of 2014. Excluding repurchase agreements, lending decreased 4%. Excluding repurchase agreements and the sale of London and Frankfurt operations, lending increased 2%.

Asset values of derivatives decreased 18% to 86bn (105) as an outcome of a rise in the long-term interest rates in the latter part of the second quarter. The corresponding change was seen in the derivatives liabilities.

Deposits and borrowings from the public increased from the year-end level and amounted to EUR 82bn (77). Excluding repurchase agreements, deposits decreased 2% to EUR 52bn. Excluding repurchase agreements and the transfer of London and Frankfurt operations, deposits increased 7%.

## Capital position and capital management

At the end of June, NBF's risk exposure amount (REA) was EUR 61.1bn, compared to EUR 61.3bn at year-end 2014 and EUR 57.8bn one year ago.

The Tier 1 ratio including profit and including Basel I transitional rules was 16.6% and the total capital ratio 16.8%. Excluding profit and including Basel I transitional rules the Tier 1 ratio was 15.4% and total capital ratio 15.6%.

On 30 June the Board of the Financial Supervisory Authority (FIN-FSA) decided not to impose a countercyclical capital buffer requirement, nor to otherwise tighten macro prudential policy that affects credit cycles.

The Board of the Financial Supervisory Authority (FIN-FSA) designated Nordea Bank Finland Plc as a systemically important credit institution (so called O-SII) on 6 July 2015. The Board on FIN-FSA imposed to NBF an additional capital requirement of 2%, which has to be covered by Common Equity Tier 1 capital (CET1 capital). The new requirement must be fulfilled as of 7 January 2016. NBF already complies with the increased capital requirement.

### **Credit portfolio**

Total lending was EUR 116bn (114) at the end of June 2015. The share of lending to corporate customers was 67% (67).

Impaired loans gross decreased and amounted to EUR 1,060m at the end of June 2015 compared to EUR 1,480m at the end of December 2014. Individually assessed impaired loans, net, amounted to EUR 559m (964), representing 0.34% of total loans before allowances. At year-end 2014 the ratio was 0.64 %.

### **Off-balance sheet commitments**

The total amount of off-balance sheet commitments was EUR 27.3bn compared to EUR 31.7bn at year-end 2014.

### **Risks and uncertainties**

Nordea's revenue base reflects the Group's business with a large and diversified customer base, comprising household customers, corporate customers and financial institutions, representing different geographic areas and industries.

Nordea's main risk exposure is credit risk. The Group also assumes risks such as market risk, liquidity risk, operational risk and life insurance risk. For further information on risk composition, see the Annual Report.

The financial crisis and the deteriorated macroeconomic situation have not had any material impact on Nordea's financial position. However, the macroeconomic development remains uncertain.

None of the above exposures and risks is expected to have any significant adverse effect on the Group or its financial position in the medium term.

Within the framework of the normal business operations, the Group faces claims in civil lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes are considered likely to have any significant adverse effect on the Group or its financial position in the next six months.

Helsinki, 16 July 2015  
Board of Directors

## Key financial figures

### Income statement

EURm	Jan-Jun 2015	Jan-Jun 2014	Change %	Full year 2014
Net interest income	527	595	-11	1,189
Net fee and commission income	27	40	-33	75
Net result from items at fair value	786	556	41	970
Equity method	2	1		3
Other operating income	47	27	74	41
<b>Total operating income</b>	<b>1,389</b>	<b>1,219</b>	<b>14</b>	<b>2,278</b>
Staff costs	-264	-296	-11	-559
Other expenses	-202	-221	-9	-433
Depreciation of tangible and intangible assets	-14	-21	-33	-92
<b>Total operating expenses</b>	<b>-480</b>	<b>-538</b>	<b>-11</b>	<b>-1,084</b>
<b>Profit before loan losses</b>	<b>909</b>	<b>681</b>	<b>33</b>	<b>1,194</b>
Net loan losses	-55	-49	12	-60
<b>Operating profit</b>	<b>854</b>	<b>632</b>	<b>35</b>	<b>1,134</b>
Income tax expense	-198	-126	57	-232
<b>Net profit for the period</b>	<b>656</b>	<b>506</b>	<b>30</b>	<b>902</b>
Net profit for the period from transferred operations	-	12		57

### Business volumes, key items<sup>1</sup>

EURm	30 Jun 2015	30 Jun 2014	Change %	31 Dec 2014	Change %
Loans to the public	116,430	110,951	5	113,748	2
Loans to the public, excl. repos	66,339	67,789	-2	68,971	-4
Deposits and borrowings from the public	81,868	76,936	6	76,879	6
Equity	9,882	9,215	7	9,618	3
Total assets	355,622	317,523	12	346,198	3

<sup>1</sup> End of period

## Ratios and key figures

	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Return on equity %	13.5	10.8	9.4
Cost/income ratio, %	35	44	48
Loan loss ratio, basis points	10	9	5
Common Equity Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup> , %	18.0	14.6	16.7
Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup> , %	19.1	14.6	17.8
Total capital ratio, excl. Basel I floor <sup>1,2</sup> , %	19.2	14.7	18.0
Common Equity Tier 1 capital ratio, incl. Basel I floor <sup>1,2</sup> , %	14.5	13.9	14.2
Tier 1 capital ratio, incl. Basel I floor <sup>1,2</sup> , %	15.4	13.9	15.1
Total capital ratio, incl. Basel I floor <sup>1,2</sup> , %	15.6	14.0	15.2
Tier 1 capital <sup>1,2</sup> , EURm	9,255	8,036	9,004
Risk exposure amount excl. Basel I floor <sup>1</sup> , EURm	48,487	55,078	50,499
Risk exposure amount incl. Basel I floor <sup>1</sup> , EURm	61,097	57,768	61,275
Number of employees (full-time equivalents) <sup>1</sup>	6,615	6,775	6,653

<sup>1</sup> End of period

<sup>2</sup> Excluding profit, except full year 2014 figures

### Definitions

#### Return on equity, %:

100 x (Operating profit after taxes) / (Shareholders' equity (average for beginning and end of year))

#### Cost/income ratio, %:

100 x (Total operating expenses/Total operating income)

#### Loan loss ratio

Net loan losses divided by the closing balance of loans to the public

#### Tier 1 capital

The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

#### Tier 1 capital ratio

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

For a list of further definitions, see the Annual Report.

## Income statement

EURm	Note	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
<b>Operating income</b>				
<i>Interest income</i>		781	923	1,806
<i>Interest expense</i>		-254	-328	-617
Net interest income		527	595	1,189
<i>Fee and commission income</i>		382	400	794
<i>Fee and commission expense</i>		-355	-360	-719
Net fee and commission income	3	27	40	75
Net result from items at fair value	4	786	556	970
Profit from companies accounted for under the equity method		2	1	3
Other operating income		47	27	41
<b>Total operating income</b>		<b>1,389</b>	<b>1,219</b>	<b>2,278</b>
<b>Operating expenses</b>				
General administrative expenses:				
Staff costs		-264	-296	-559
Other expenses		-202	-221	-433
Depreciation, amortisation and impairment charges of tangible and intangible assets		-14	-21	-92
<b>Total operating expenses</b>		<b>-480</b>	<b>-538</b>	<b>-1,084</b>
<b>Profit before loan losses</b>		<b>909</b>	<b>681</b>	<b>1,194</b>
Net loan losses	6	-55	-49	-60
<b>Operating profit</b>		<b>854</b>	<b>632</b>	<b>1,134</b>
Income tax expense		-198	-126	-232
<b>Net profit for the period</b>		<b>656</b>	<b>506</b>	<b>902</b>
<b>Attributable to:</b>				
Shareholders of Nordea Bank Finland Plc		656	506	902
Non-controlling interests		-	-	-
<b>Total</b>		<b>656</b>	<b>506</b>	<b>902</b>

## Statement of comprehensive income

EURm	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
<b>Net profit for the period</b>	<b>656</b>	<b>506</b>	<b>902</b>
<b>Items that may be reclassified subsequently to the income statement</b>			
Currency translation differences during the period	0	0	0
Available-for-sale investments <sup>1</sup> :			
-Valuation gains/losses during the period	-4	13	33
-Tax on valuation gains/losses during the period	1	-3	-7
Cash flow hedges:			
-Valuation gains/losses during the period	19	-27	8
-Tax on valuation gains/losses during the period	-4	5	-2
<b>Items that may not be reclassified subsequently to the income statement</b>			
Defined benefit plans:			
-Remeasurement of defined benefit plans	-58	-58	-104
-Tax on remeasurement of defined benefit plans	12	12	21
<b>Other comprehensive income, net of tax</b>	<b>-58</b>	<b>-58</b>	<b>-51</b>
<b>Total comprehensive income</b>	<b>714</b>	<b>448</b>	<b>851</b>
<b>Attributable to:</b>			
Shareholders of Nordea Bank Finland Plc	714	448	851
Non-controlling interests	-	-	-
<b>Total</b>	<b>714</b>	<b>448</b>	<b>851</b>

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



## Balance sheet

EURm	Note	30 Jun 2015	31 Dec 2014	30 Jun 2014
<b>Assets</b>				
Cash and balances with central banks		39,511	28,846	23,038
Loans to central banks	7	4,300	300	1,663
Loans to credit institutions	7	44,956	35,051	44,117
Loans to the public	7	116,430	113,748	110,951
Interest-bearing securities		34,300	34,643	36,817
Financial instruments pledged as collateral		9,372	11,058	9,532
Shares		2,088	1,918	895
Derivatives		85,894	105,254	78,467
Fair value changes of the hedged items in portfolio hedge of interest rate risk		58	76	77
Investments in associated undertakings		39	39	37
Intangible assets		47	47	95
Properties and equipment		76	84	91
Investment property		1	2	2
Deferred tax assets		11	43	35
Current tax assets		1	0	0
Retirement benefit assets		86	25	133
Other assets		18,015	14,624	10,996
Prepaid expenses and accrued income		437	440	577
<b>Total assets</b>		<b>355,622</b>	<b>346,198</b>	<b>317,523</b>
<b>Liabilities</b>				
Deposits by credit institutions		113,979	87,368	87,323
Deposits and borrowings from the public		81,868	76,879	76,936
Debt securities in issue		37,256	48,472	44,782
Derivatives		88,120	102,876	73,287
Fair value changes of the hedged items in portfolio hedge of interest rate risk		490	773	672
Current tax liabilities		64	41	10
Other liabilities		22,549	18,577	23,771
Accrued expenses and prepaid income		631	804	850
Deferred tax liabilities		58	57	53
Provisions		74	85	101
Retirement benefit obligations		27	28	76
Subordinated liabilities		624	620	447
<b>Total liabilities</b>		<b>345,740</b>	<b>336,580</b>	<b>308,308</b>
<b>Equity</b>				
Non-controlling interests		-	-	1
Share capital		2,319	2,319	2,319
Share premium reserve		599	599	599
Other reserves		2,882	2,824	2,817
Retained earnings		4,082	3,876	3,479
<b>Total equity</b>		<b>9,882</b>	<b>9,618</b>	<b>9,215</b>
<b>Total liabilities and equity</b>		<b>355,622</b>	<b>346,198</b>	<b>317,523</b>
Assets pledged as security for own liabilities		42,134	43,426	36,368
Other assets pledged		5,772	5,017	6,721
Contingent liabilities		13,176	14,906	14,470
Credit commitments <sup>1</sup>		13,679	16,021	16,269
Other commitments		437	769	395

<sup>1</sup> Including unutilised portion of approved overdraft facilities of EUR 7,370m (31 Dec 2014: EUR 7,760m, 30 Jun 2014: EUR 11,012m).

## Statement of changes in equity

Attributable to shareholders of Nordea Bank Finland Plc										
EURm	Share capital <sup>1</sup>	Share premium reserve	Cash flow hedges	Other reserves:			Retained earnings	Total	Non-control-ling interests	Total equity
				Available-for-sale invest-ments	Other reserves	Defined benefit plans				
<b>Balance at 1 Jan 2015</b>	<b>2,319</b>	<b>599</b>	<b>-2</b>	<b>43</b>	<b>2,848</b>	<b>-65</b>	<b>3,876</b>	<b>9,618</b>	<b>-</b>	<b>9,618</b>
Net profit for the period							656	656		656
Other comprehensive income, net of tax			15	-3	-	46	0	58		58
<i>Total comprehensive income</i>			<i>15</i>	<i>-3</i>	<i>-</i>	<i>46</i>	<i>656</i>	<i>714</i>	<i>-</i>	<i>714</i>
Share-based payments							0	0		0
Dividend for 2014							-450	-450		-450
<b>Balance at 30 Jun 2015</b>	<b>2,319</b>	<b>599</b>	<b>13</b>	<b>40</b>	<b>2,848</b>	<b>-19</b>	<b>4,082</b>	<b>9,882</b>	<b>-</b>	<b>9,882</b>

Attributable to shareholders of Nordea Bank Finland Plc										
EURm	Share capital <sup>1</sup>	Share premium reserve	Cash flow hedges	Other reserves:			Retained earnings	Total	Non-control-ling interests	Total equity
				Available-for-sale invest-ments	Other reserves	Defined benefit plans				
<b>Balance at 1 Jan 2014</b>	<b>2,319</b>	<b>599</b>	<b>-8</b>	<b>17</b>	<b>2,848</b>	<b>18</b>	<b>3,720</b>	<b>9,513</b>	<b>1</b>	<b>9,514</b>
Net profit for the period							902	902		902
Other comprehensive income, net of tax			6	26	-	-83	0	-51		-51
<i>Total comprehensive income</i>			<i>6</i>	<i>26</i>	<i>-</i>	<i>-83</i>	<i>902</i>	<i>851</i>	<i>-</i>	<i>851</i>
Share-based payments							2	2		2
Dividend for 2013							-750	-750		-750
Other changes					0		2	2	-1	1
<b>Balance at 31 Dec 2014</b>	<b>2,319</b>	<b>599</b>	<b>-2</b>	<b>43</b>	<b>2,848</b>	<b>-65</b>	<b>3,876</b>	<b>9,618</b>	<b>0</b>	<b>9,618</b>

<sup>1</sup> Total shares registered were 1,030.8 million (31 Dec 2014: 1,030.8 million, 30 Jun 2014: 1,030.8 million).

## Statement of changes in equity, *continued*

Attributable to shareholders of Nordea Bank Finland Plc										
EURm	Share capital <sup>1</sup>	Share premium reserve	Cash flow hedges	Other reserves:			Retained earnings	Total	Non-control-ling interests	Total equity
				Available-for-sale investments	Other reserves	Defined benefit plans				
Balance at 1 Jan 2014	2,319	599	-8	17	2,848	18	3,720	9,513	1	9,514
Net profit for the period							506	506		506
Other comprehensive income, net of tax			-22	10	0	-46	0	-58		-58
<i>Total comprehensive income</i>			-22	10	0	-46	506	448	-	448
Share-based payments							2	2		2
Dividend for 2013							-750	-750		-750
Other changes							1	1		1
Balance at 30 Jun 2014	2,319	599	-30	27	2,848	-28	3,479	9,214	1	9,215

<sup>1</sup> Total shares registered were 1,030.8 million (31 Dec 2014: 1,030.8 million, 30 Jun 2014: 1,030.8 million).

## Cash flow statement, condensed – Total operations

EURm	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
<i>Operating activities</i>			
Operating profit	854	619	1,073
Operating profit for the period from transferred operations	-	13	61
Adjustments for items not included in cash flow	1,270	722	891
Income taxes paid	-158	-137	-218
Cash flow from operating activities before changes in operating assets and liabilities	1,966	1,217	1,807
Changes in operating assets and liabilities	12,308	-12,074	-13,327
Cash flow from operating activities	14,274	-10,857	-11,520
<i>Investing activities</i>			
Sale/acquisition of business operations	0	33	31
Properties and equipment	-13	-40	-47
Intangible assets	-6	-7	-20
Net investments in debt securities, held to maturity	0	1,620	2,183
Other financial fixed assets	1	-3	2
Cash flow from investing activities	-18	1,603	2,149
<i>Financing activities</i>			
Issued/amortised subordinated liabilities	4	18	191
Dividend paid	-450	-750	-750
Other changes	140	-35	-34
Cash flow from financing activities	-306	-767	-593
<b>Cash flow for the period</b>	<b>13,950</b>	<b>-10,021</b>	<b>-9,964</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>29,714</b>	<b>36,324</b>	<b>36,324</b>
Translation difference	-1,910	-312	-3,354
<b>Cash and cash equivalents at end of the period</b>	<b>45,574</b>	<b>26,615</b>	<b>29,714</b>
<b>Change</b>	<b>13,950</b>	<b>-10,021</b>	<b>-9,964</b>
<b>Cash and cash equivalents</b>	<b>30 Jun</b>	<b>30 Jun</b>	<b>31 Dec</b>
The following items are included in cash and cash equivalents (EURm):	<u>2015</u>	<u>2014</u>	<u>2014</u>
Cash and balances with central banks	39,511	23,039	28,846
Loans to credit institutions	6,063	3,576	868
<b>Total cash and cash equivalents</b>	<b>45,574</b>	<b>26,615</b>	<b>29,714</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.

## Notes to the financial statements

### Note 1 Accounting policies

NBF's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of such standards by the International Financial Reporting Standards Interpretations Committee (IFRS IC), as endorsed by the EU Commission. In addition, certain rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervisory Authority's regulations and guidelines and the Decree of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions, have also been applied.

These statements are presented in accordance with IAS 34 "Interim Financial Reporting". The interim report is unaudited.

### Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report.

The following amendments published by the IASB were implemented on 1 January 2015 but have not had any significant impact on Nordea's financial statements:

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

### IFRIC 21 "Levies"

The new interpretation IFRIC 21 "Levies", published by IASB was implemented on 1 January 2015. IFRIC 21 is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". IFRIC 21 clarifies that if a levy is triggered by operating as a bank at the end of the reporting period, the liability for the levy is not recognised prior that date.

### Impact on capital adequacy from new or amended IFRS standards

#### IFRS 9 "Financial instruments"

IFRS 9 "Financial Instruments" covering classification and measurement, impairment and general hedging has been adopted by the IASB but has not yet been implemented by Nordea.

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

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. At transition, it is expected that the new requirements will have a negative impact on loan loss provisions, equity and capital adequacy, while we do not expect any significant impact over time. Nordea has not yet finalised any impact assessment.

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

#### IFRS 15 "Revenue from Contracts with Customers"

The IASB has also adopted IFRS 15 "Revenue from Contracts with Customers". The new standard has not yet been implemented by Nordea. It is not expected that the standard will have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

#### Other amendments to IFRS

Other amendments to IFRS are not assessed to have any significant impact on Nordea's financial statement, capital adequacy or large exposures in the period of initial application.

## Note 2 Segment reporting

	Operating segments					
	Retail Banking		Wholesale Banking		Group Corporate Centre	
	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
EURm						
Total operating income	844	826	669	586	34	24
Operating profit	439	351	560	485	5	-7
Loans to the public	54,405	53,155	61,970	57,471	1	-1
Deposits and borrowings from the public	34,276	33,655	41,220	41,281	6,095	2

  

	Total Operating segments		Reconciliation		Total Group	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2015	2014	2015	2014	2015	2014
EURm						
Total operating income	1,547	1,436	-158	-217	1,389	1,219
Operating profit	1,004	829	-150	-197	854	632
Loans to the public	116,376	110,625	54	326	116,430	110,951
Deposits and borrowings from the public	81,591	74,938	277	1,998	81,868	76,936

### Break-down of Retail Banking

	Retail Banking Nordic <sup>1</sup>		Retail Banking Baltic countries <sup>2</sup>		Retail Banking Other <sup>3</sup>		Retail Banking	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2015	2014	2015	2014	2015	2014	2015	2014
EURm								
Total operating income	812	756	23	60	9	10	844	826
Operating profit	424	359	16	-9	-1	1	439	351
Loans to the public	45,965	45,066	1,517	1,446	6,923	6,643	54,405	53,155
Deposits and borrowings from the public	34,274	33,641	-	9	2	5	34,276	33,655

<sup>1</sup>Retail Banking Nordic includes banking operations in Finland

<sup>2</sup>Retail Banking Baltic countries include operations in Estonia, Latvia and Lithuania.

<sup>3</sup>Retail Banking Other includes the support areas Development & Projects, Distribution, Segments, Products and IT.

Note 2, continued

### Break-down of Wholesale Banking

EURm	Corporate & Institutional Banking		Shipping, Offshore & Oil Services	
	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
Total operating income	162	200	51	72
Operating profit	102	118	37	78
Loans to the public	8,480	9,829	3,122	4,205
Deposits and borrowings from the public	10,136	10,188	914	2,220

EURm	Capital Markets unallocated		Wholesale Banking Other <sup>4</sup>		Wholesale Banking	
	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
Total operating income	404	264	52	50	669	586
Operating profit	381	247	40	42	560	485
Loans to the public	50,091	43,162	276	275	61,970	57,471
Deposits and borrowings from the public	30,069	28,495	100	378	41,220	41,281

<sup>4</sup>Wholesale Banking Other includes the area International Units and the support areas Transaction Products, Segment CIB and IT .

### Reconciliation between total operating segments and financial statements

EURm	Operating profit		Loans to the public		Deposits and borrowings from the public	
	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
Total Operating segments	1,004	829	116,376	110,625	81,591	74,938
Group functions <sup>1</sup> and unallocated items	-150	-197	54	326	277	1,998
<b>Total</b>	<b>854</b>	<b>632</b>	<b>116,430</b>	<b>110,951</b>	<b>81,868</b>	<b>76,936</b>

<sup>1</sup> Consists of Group Risk Management, Group Internal Audit, Group Identity & Communications, Group Human Resources and Group Executive Management.

### Measurement of operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In NBF the CODM has been defined as Group Executive Management.

Financial results are presented for the main business areas Retail Banking and Wholesale Banking, with a further breakdown on operating segments, and 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 are shown separately as reconciling items.

**Note 3 Net fee and commission income**

EURm	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Asset management commissions	44	33	69
Life insurance	6	4	9
Brokerage, securities issues and corporate finance	41	34	75
Custody and issuer services	13	19	28
Deposits	1	2	5
Total savings and investments	105	92	186
Payments	98	101	198
Cards	64	63	128
Total payments and cards	162	164	326
Lending	45	66	129
Guarantees and documentary payments	53	61	120
Total lending related commissions	98	127	249
Other commission income	17	17	33
<b>Fee and commission income</b>	<b>382</b>	<b>400</b>	<b>794</b>
Savings and investments	-208	-184	-360
Payments	-4	-5	-11
Cards	-29	-29	-58
Other commission expenses <sup>1</sup>	-114	-142	-290
<b>Fee and commission expenses</b>	<b>-355</b>	<b>-360</b>	<b>-719</b>
<b>Net fee and commission income</b>	<b>27</b>	<b>40</b>	<b>75</b>

<sup>1</sup> Mainly consists of the guarantee commission fee paid to Nordea Bank AB (publ)

**Note 4 Net result from items at fair value**

EURm	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Equity related instruments	70	-116	342
Interest related instruments and foreign exchange gains/losses	672	565	235
Other financial instruments (including credit and commodities)	45	118	406
Investment properties	-1	-11	-13
<b>Total</b>	<b>786</b>	<b>556</b>	<b>970</b>



**Note 5 Other expenses**

	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
EURm			
Information technology	-91	-92	-196
Marketing and representation	-8	-11	-22
Postage, transportation, telephone and office expenses	-17	-20	-38
Rents, premises and real estate expenses	-37	-48	-89
Other	-49	-50	-88
<b>Total</b>	<b>-202</b>	<b>-221</b>	<b>-433</b>

**Note 6 Net loan losses**

	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
EURm			
<b>Loan losses divided by class</b>			
Realised loan losses	-	-	-2
Allowances to cover realised loan losses	-	-	2
Recoveries on previous realised loan losses	0	-	0
Provisions	-	0	0
Reversal of previous provisions	-	-	22
<b>Loans to credit institutions</b>	<b>0</b>	<b>0</b>	<b>22</b>
Realised loan losses	-70	-73	-114
Allowances to cover realised loan losses	52	80	127
Recoveries on previous realised loan losses	7	13	28
Provisions	-69	-120	-223
Reversal of previous provisions	27	59	101
<b>Loans to the public</b>	<b>-53</b>	<b>-41</b>	<b>-81</b>
Realised loan losses	-	-	-
Allowances to cover realised loan losses	-	-	-
Recoveries on previous realised loan losses	-	-	-
Provisions	-2	-9	-14
Reversal of previous provisions	0	1	13
<b>Off-balance sheet items</b>	<b>-2</b>	<b>-8</b>	<b>-1</b>
<b>Total</b>	<b>-55</b>	<b>-49</b>	<b>-60</b>

**Key ratios**

	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Loan loss ratio, basis points <sup>1</sup>	10	9	5
- of which individual	11	9	4
- of which collective	-1	-1	2

<sup>1</sup> Net loan losses (annualised) divided by closing balance of loans to the public (lending).

## Note 7 Loans and impairment

EURm	Total		
	30 Jun 2015	31 Dec 2014	30 Jun 2014
Loans, not impaired	165,235	148,254	155,952
Impaired loans	1,060	1,480	1,427
- of which performing	436	823	783
- of which non-performing	624	657	644
<b>Loans before allowances</b>	<b>166,295</b>	<b>149,734</b>	<b>157,379</b>
Allowances for individually assessed impaired loans	-501	-516	-551
- of which performing	-253	-323	-342
- of which non-performing	-248	-193	-209
Allowances for collectively assessed impaired loans	-108	-119	-97
<b>Allowances</b>	<b>-609</b>	<b>-635</b>	<b>-648</b>
<b>Loans, carrying amount</b>	<b>165,686</b>	<b>149,099</b>	<b>156,731</b>

EURm	Central banks and credit institutions			The public		
	30 Jun 2015	31 Dec 2014	30 Jun 2014	30 Jun 2015	31 Dec 2014	30 Jun 2014
Loans, not impaired	49,256	35,351	45,781	115,979	112,903	110,171
Impaired loans	0	0	24	1,060	1,480	1,403
- of which performing	-	-	-	436	823	783
- of which non-performing	0	0	24	624	657	620
<b>Loans before allowances</b>	<b>49,256</b>	<b>35,351</b>	<b>45,805</b>	<b>117,039</b>	<b>114,383</b>	<b>111,574</b>
Allowances for individually assessed impaired loans	-	-	-25	-501	-516	-526
- of which performing	-	-	-	-253	-323	-342
- of which non-performing	-	-	-25	-248	-193	-184
Allowances for collectively assessed impaired loans	0	0	-	-108	-119	-97
<b>Allowances</b>	<b>0</b>	<b>0</b>	<b>-25</b>	<b>-609</b>	<b>-635</b>	<b>-623</b>
<b>Loans, carrying amount</b>	<b>49,256</b>	<b>35,351</b>	<b>45,780</b>	<b>116,430</b>	<b>113,748</b>	<b>110,951</b>

### Allowances and provisions

EURm	30 Jun 2015	31 Dec 2014	30 Jun 2014
Allowances for items on the balance sheet	-609	-635	-648
Provisions for off balance sheet items	-32	-31	-38
<b>Total allowances and provisions</b>	<b>-641</b>	<b>-666</b>	<b>-686</b>

### Key ratios

	30 Jun 2015	31 Dec 2014	30 Jun 2014
Impairment rate, gross <sup>1</sup> , basis points	64	99	91
Impairment rate, net <sup>2</sup> , basis points	34	64	56
Total allowance rate <sup>3</sup> , basis points	37	42	41
Allowances in relation to impaired loans <sup>4</sup> , %	47	35	39
Total allowances in relation to impaired loans <sup>5</sup> , %	57	43	45
Non-performing, not impaired <sup>6</sup> , EURm	131	28	22

<sup>1</sup> Individually assessed impaired loans before allowances divided by total loans before allowances.

<sup>2</sup> Individually assessed impaired loans after allowances divided by total loans before allowances.

<sup>3</sup> Total allowances divided by total loans before allowances.

<sup>4</sup> Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

<sup>5</sup> Total allowances divided by total impaired loans before allowances.

<sup>6</sup> Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

## Note 8 Classification of financial instruments

EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
<b>Financial assets</b>							
Cash and balances with central banks	39,511						39,511
Loans to central banks			4,300				4,300
Loans to credit institutions	38,593		6,363				44,956
Loans to the public	66,339		50,091				116,430
Interest-bearing securities		67	25,273			8,960	34,300
Financial instruments pledged as collateral			9,372				9,372
Shares			2,080	8			2,088
Derivatives			85,072		822		85,894
Fair value changes of the hedged items in portfolio hedge of interest rate risk	58						58
Other assets	4,707			13,016			17,723
Prepaid expenses and accrued income	91						91
<b>Total 30 Jun 2015</b>	<b>149,299</b>	<b>67</b>	<b>182,551</b>	<b>13,024</b>	<b>822</b>	<b>8,960</b>	<b>354,723</b>
Total 31 Dec 2014	128,934	66	190,598	12,984	942	11,805	345,329
Total 30 Jun 2014	132,446	562	165,358	7,027	839	10,292	316,524

EURm	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
<b>Financial liabilities</b>					
Deposits by credit institutions	33,799			80,180	113,979
Deposits and borrowings from the public	30,069			51,799	81,868
Debt securities in issue	7,778			29,478	37,256
Derivatives	87,823		297		88,120
Fair value changes of the hedged items in portfolio hedge of interest rate risk				490	490
Other liabilities	7,977	8,534		5,840	22,351
Accrued expenses and prepaid income				181	181
Subordinated liabilities				624	624
<b>Total 30 Jun 2015</b>	<b>167,446</b>	<b>8,534</b>	<b>297</b>	<b>168,592</b>	<b>344,869</b>
Total 31 Dec 2014	167,819	10,061	312	157,357	335,549
Total 30 Jun 2014	145,305	6,984	353	154,781	307,423

**Note 9 Fair value of financial assets and liabilities**

EURm	30 Jun 2015		31 Dec 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and balances with central banks	39,511	39,511	28,846	28,846
Loans	165,686	165,107	149,099	147,874
Interest-bearing securities	34,300	34,303	34,643	34,647
Financial instruments pledged as collateral	9,372	9,372	11,058	11,058
Shares	2,088	2,088	1,918	1,918
Derivatives	85,894	85,894	105,254	105,254
Fair value changes of the hedged items in portfolio hedge of interest rate risk	58	58	76	76
Other assets	18,276	18,276	14,864	14,862
Prepaid expenses and accrued income	437	437	440	440
<b>Total</b>	<b>355,622</b>	<b>355,046</b>	<b>346,198</b>	<b>344,975</b>
<b>Financial liabilities</b>				
Deposits and debt instruments	233,103	233,260	212,719	212,954
Derivatives	88,120	88,120	102,876	102,876
Fair value changes of the hedged items in portfolio hedge of interest rate risk	490	490	773	773
Other liabilities	22,772	22,772	18,788	18,787
Accrued expenses and prepaid income	631	631	804	804
Subordinated liabilities	624	624	620	620
<b>Total</b>	<b>345,740</b>	<b>345,897</b>	<b>336,580</b>	<b>336,814</b>

The determination of fair value is described in the Annual Report 2014, Note 40 "Assets and liabilities at fair value". The fair value for loans has been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Retail Banking and Wholesale Banking respectively.

## Note 10 Financial assets and liabilities at fair value on the balance sheet

### Categorisation into the fair value hierarchy

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 at fair value on the balance sheet<sup>1</sup></b>				
Loans to central banks		4,300		4,300
Loans to credit institutions		6,363		6,363
Loans to the public		50,091		50,091
Interest-bearing securities	13,259	20,902	72	34,233
Financial instruments pledged as collateral	4,375	4,997		9,372
Shares	1,684		404	2,088
Derivatives	183	84,063	1,648	85,894
Other assets		13,016		13,016
<b>Total 30 Jun 2015</b>	<b>19,501</b>	<b>183,732</b>	<b>2,124</b>	<b>205,357</b>
Total 31 Dec 2014	26,211	188,143	1,977	216,331
<b>Liabilities at fair value on the balance sheet<sup>1</sup></b>				
Deposits by credit institutions		33,799		33,799
Deposits and borrowings from the public		30,069		30,069
Debt securities in issue		7,778		7,778
Derivatives	240	86,213	1,667	88,120
Other liabilities	6,638	9,873		16,511
<b>Total 30 Jun 2015</b>	<b>6,878</b>	<b>167,732</b>	<b>1,667</b>	<b>176,277</b>
Total 31 Dec 2014	4,176	172,378	1,638	178,192

<sup>1</sup> Are measured at fair value on a recurring basis at the end of each reporting period.

### Determination of fair values for items measured at fair value on the balance sheet

For information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2014, Note 40 "Asset and liabilities at fair value".

### Transfers between Level 1 and 2

During the period, NBF transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 20m from Level 1 to Level 2 and EUR 16m from Level 2 to Level 1 of the fair value hierarchy. NBF also transferred derivative assets of EUR 9m from Level 1 to Level 2 and EUR 99m from Level 2 to Level 1 and derivative liabilities EUR 86m from Level 1 to Level 2 and EUR 137m from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers have also occurred following the implementation of an improved and more granular classification approach. Transfers between levels are considered to have occurred at the end of the reporting period.

**Movements in Level 3**

EURm	Fair value gains/losses recognised in the income statement during the year			Purchases/ Issues	Sales
	1 Jan	Realised	Unrealised		
Interest-bearing securities	77	1	11	32	-46
Shares	453	-27	23		-45
Derivatives (net)	-191	46	-151		
<b>Total 2015, net</b>	<b>339</b>	<b>20</b>	<b>-117</b>	<b>32</b>	<b>-91</b>
Total 2014, net	964	-483	-363	115	-411

EURm	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	30 Jun
Interest-bearing securities	-1		-2		72
Shares					404
Derivatives (net)	-47	450	-126		-19
<b>Total 2015, net</b>	<b>-48</b>	<b>450</b>	<b>-128</b>	<b>-</b>	<b>457</b>
Total 2014, net	517	-	-	-	339

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. During the period NBF transferred derivatives (net) of EUR 450m from Level 2 to Level 3 and EUR -126m from Level 3 to Level 2. The reason for the transfer from Level 3 to Level 2 was that observable market data became available. The reason for the transfer from Level 2 to Level 3 was that observable market data was no longer available. Transfers have also occurred following the implementation of an improved and more granular classification approach. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

**The valuation processes for fair value measurements in Level 3**

For information about valuation processes for fair value measurement in Level 3, see the Annual Report 2014 Note 40 "Assets and liabilities at fair value".

**Deferred day 1 profit**

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual Report 2014 Note 1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

**Deferred day 1 profit - Derivatives (net)**

EURm	2015	2014
Opening balance at 1 Jan	-44	41
Deferred profit on new transactions	-10	7
Recognised in the income statement during the period	4	-7
<b>Closing balance at 30 Jun</b>	<b>-50</b>	<b>41</b>

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

EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value <sup>2</sup>
<b>Interest-bearing securities</b>				
Mortgage and other credit institutions	72	Discounted cash flow	Credit spread	-6/6
Corporates	-			-
Other	-			-
<b>Total 30 Jun 2015</b>	<b>72</b>			<b>-13/13</b>
Total 31 Dec 2014	77			-7/7
<b>Shares</b>				
Private equity funds	278	Net asset value <sup>1</sup>		
Hedge funds	120	Net asset value <sup>1</sup>		
Other	6	-		
<b>Total 30 Jun 2015</b>	<b>404</b>			
Total 31 Dec 2014	453			
<b>Derivatives, net</b>				
Interest rate derivatives	134	Option model	Correlations Volatilities	-16/12
Equity derivatives	-156	Option model	Correlations Volatilities Dividend	-21/14
Foreign exchange derivatives	-34	Option model	Correlations Volatilities	+/-0
Credit derivatives	-6	Credit derivative model	Correlations Recovery rates	-10/11
Other	43	Option model	Correlations Volatilities	+/-0
<b>Total 30 Jun 2015</b>	<b>-19</b>			<b>-47/37</b>
Total 31 Dec 2014	-191			-40/30

<sup>1</sup> The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology, used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by the EVCA (European Venture Capital Association).

<sup>2</sup> The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information see the Annual Report 2014, Note 40 "Assets and liabilities at fair value".

**Note 11 Capital adequacy****Summary of items included in own funds**

EURm	30 Jun 2015	31 Dec <sup>3</sup> 2014	30 Jun 2014
Calculation of own funds			
Equity in consolidated situation	9,226	9,618	8,708
Proposed/actual dividend		-450	
Common Equity Tier 1 capital before regulatory adjustments	9,226	9,168	8,708
Deferred tax assets			
Intangible assets	-47	-47	-95
IRB provisions shortfall (-)	-175	-237	-209
Deductions for investments in credit institutions (50%)			
Pension assets in excess of related liabilities <sup>1</sup>	-69	-16	-65
Other items, net	-230	-414	-303
Total regulatory adjustments to Common Equity Tier 1 capital	-521	-714	-672
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>8,705</b>	<b>8,454</b>	<b>8,036</b>
Additional Tier 1 capital before regulatory adjustments	550	550	
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital	550	550	-
<b>Tier 1 capital (net after deductions)</b>	<b>9,255</b>	<b>9,004</b>	<b>8,036</b>
Tier 2 capital before regulatory adjustments	73	69	72
IRB provisions excess (+)			
Deductions for investments in credit institutions (50%)			
Deductions for investments in insurance companies			
Pension assets in excess of related liabilities			
Other items, net			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	73	69	72
<b>Own funds (net after deductions)<sup>2</sup></b>	<b>9,328</b>	<b>9,073</b>	<b>8,108</b>

<sup>1</sup> Based on conditional FSA approval<sup>2</sup> Own funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 9,504m by 30 Jun 2015<sup>3</sup> Including profit**Own funds including profit**

EURm	30 Jun 2015	31 Dec 2014	30 Jun 2014
Common Equity Tier 1 capital, including profit	9,436	8,454	8,542
Total own funds, including profit	10,059	9,073	8,614



Note 11, continued

<b>Minimum capital requirement and REA</b>						
	30 Jun 2015	30 Jun 2015	31 Dec 2014	31 Dec 2014	30 Jun 2014	30 Jun 2014
	Minimum capital requirement	REA	Minimum capital requirement	REA	Minimum capital requirement	REA
EURm						
<b>Credit risk</b>	<b>2,897</b>	<b>36,212</b>	<b>3,059</b>	<b>38,231</b>	<b>3,105</b>	<b>38,808</b>
- of which counterparty credit risk	567	7,093	663	8,285	549	6,864
IRB	1,925	24,064	2,200	27,496	1,916	23,948
- of which corporate	1,085	13,564	1,358	16,976	1,205	15,067
- of which advanced	722	9,026	488	6,103	426	5,326
- of which foundation	363	4,538	870	10,873	779	9,741
- of which institutions	335	4,192	358	4,465	386	4,829
- of which retail	485	6,058	465	5,816	307	3,835
- of which secured by immovable property collateral	205	2,556	184	2,300	221	2,763
- of which other retail	280	3,502	281	3,516	86	1,072
- of which other	20	250	19	239	17	217
Standardised	972	12,148	859	10,735	1,189	14,860
- of which central governments or central banks	3	42	17	208	14	175
- of which regional governments or local authorities	13	165	14	170	10	131
- of which public sector entities	2	25	2	20	1	14
- of which multilateral development banks	0	0				
- of which international organisations						
- of which institutions	767	9,592	692	8,663	811	10,140
- of which corporate	89	1,114	79	995	86	1,070
- of which retail	33	416	32	395	219	2,734
- of which secured by mortgages on immovable properties					14	179
- of which in default	1	14	1	13	13	160
- of which associated with particularly high risk						
- of which covered bonds	4	43	12	145	9	115
- of which institutions and corporates with a short-term credit assessment						
- of which collective investments undertakings (CIU)						
- of which equity	5	56	4	54	4	58
- of which other items	55	681	6	72	7	85
<b>Credit Value Adjustment Risk</b>	<b>154</b>	<b>1,915</b>	<b>172</b>	<b>2,153</b>	<b>259</b>	<b>3,238</b>
<b>Market risk</b>	<b>490</b>	<b>6,131</b>	<b>443</b>	<b>5,536</b>	<b>676</b>	<b>8,452</b>
- of which trading book, Internal Approach	363	4,533	298	3,720	457	5,713
- of which trading book, Standardised Approach	122	1,531	135	1,690	207	2,590
- of which banking book, Standardised Approach	5	67	10	126	12	149
<b>Operational risk</b>	<b>338</b>	<b>4,229</b>	<b>366</b>	<b>4,579</b>	<b>366</b>	<b>4,579</b>
Standardised	338	4,229	366	4,579	366	4,579
<b>Sub total</b>	<b>3,879</b>	<b>48,487</b>	<b>4,040</b>	<b>50,499</b>	<b>4,406</b>	<b>55,078</b>
<b>Adjustment for Basel I floor</b>						
Additional capital requirement according to Basel I floor	1,009	12,610	862	10,776	215	2,690
<b>Total</b>	<b>4,888</b>	<b>61,097</b>	<b>4,902</b>	<b>61,275</b>	<b>4,621</b>	<b>57,768</b>

Note 11, continued

### Minimum capital requirement and Capital Buffers

Percentage	Minimum capital requirement	Capital Buffers				Capital Buffers total	Total
		CCoB	CCyB	SII	SRB		
Common Equity Tier 1 capital	4.5	2.5	0.1			2.6	<b>7.1</b>
Tier 1 capital	6	2.5	0.1			2.6	<b>8.6</b>
Own funds	8	2.5	0.1			2.6	<b>10.6</b>
EURm							
Common Equity Tier 1 capital	2,182	1,212	28			1,240	<b>3,422</b>
Tier 1 capital	2,909	1,212	28			1,240	<b>4,150</b>
Own funds	3,879	1,212	28			1,240	<b>5,119</b>

### Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Jun 2015	31 Dec <sup>1</sup> 2014	30 Jun 2014
Common Equity Tier 1 capital	11.2	10.0	N/A

<sup>1</sup>Including profit of the period

### Capital ratios

Percentage	30 Jun 2015	31 Dec 2014	30 Jun 2014
Common Equity Tier 1 capital ratio, including profit	19.5	16.7	15.5
Tier 1 ratio, including profit	20.6	17.8	15.5
Total capital ratio, including profit	20.7	18.0	15.6
Common Equity Tier 1 capital ratio, excluding profit	18.0	15.8	14.6
Tier 1 ratio, excluding profit	19.1	16.9	14.6
Total Capital ratio, excluding profit	19.2	17.0	14.7

### Capital ratios including Basel I floor

Percentage	30 Jun 2015	31 Dec 2014	30 Jun 2014
Common Equity Tier 1 capital ratio, including profit	15.7	14.2	14.8
Tier 1 ratio, including profit	16.6	15.1	14.8
Total capital ratio, including profit	16.8	15.2	14.9
Common Equity Tier 1 capital ratio, excluding profit	14.5	13.4	13.9
Tier 1 ratio, excluding profit	15.4	14.3	13.9
Total Capital ratio, excluding profit	15.6	14.4	14.0

### Leverage ratio

	30 Jun 2015	31 Dec <sup>1</sup> 2014	30 Jun 2014
Tier 1 capital, transitional definition, EURm	9,255	9,004	8,036
Leverage ratio exposure, EURm	296,425	269,431	258,952
Leverage ratio, percentage	3.1	3.3	3.1

<sup>1</sup>Including profit of the period

Note 11, continued

**Credit risk exposures for which internal models are used, split by rating grade, 30 Jun 2015**

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm <sup>1</sup>	Of which EAD for off-balance, EURm	Exposure- weighted average risk weight:
Corporate, foundation IRB:	2,584	1,419	11,404	0	39.8
- of which rating grades 6	151	58	3,339		15.9
- of which rating grades 5	443	228	3,197		28.8
- of which rating grades 4	811	468	3,264	0	56.3
- of which rating grades 3	562	332	947	0	83.3
- of which rating grades 2	71	56	118		133.9
- of which rating grades 1	24	15	26		159.7
- of which unrated	393	189	248		104.6
- of which defaulted	129	73	265		0.0
Corporate, advanced IRB:	24,083	22,733	25,015	5,600	36.1
- of which rating grades 6	4,715	2,110	5,036	907	9.3
- of which rating grades 5	3,117	7,891	4,776	1,940	22.5
- of which rating grades 4	10,763	9,356	10,546	2,013	39.4
- of which rating grades 3	3,530	2,238	3,008	476	58.9
- of which rating grades 2	631	621	445	177	99.1
- of which rating grades 1	147	23	115	6	101.0
- of which unrated	372	248	405	81	48.8
- of which defaulted	808	246	684		117.8
Institutions, foundation IRB:	9,676	1,791	16,729	642	25.1
- of which rating grades 6	3,127	419	4,760	321	18.4
- of which rating grades 5	6,433	452	10,698	119	23.1
- of which rating grades 4	40	493	1,017	94	51.1
- of which rating grades 3	42	263	206	76	115.0
- of which rating grades 2	28	143	31	25	189.4
- of which rating grades 1	0	13	3	3	244.6
- of which unrated	6	8	14	4	151.9
- of which defaulted					
Retail, of which secured by real estate:	28,070	408	28,324	254	9.0
- of which scoring grades A	12,785	171	12,895	110	3.2
- of which scoring grades B	9,269	95	9,329	60	6.4
- of which scoring grades C	3,963	88	4,015	52	13.2
- of which scoring grades D	1,377	45	1,404	27	24.0
- of which scoring grades E	0	5	3	3	67.0
- of which scoring grades F	214	1	215	1	68.9
- of which not scored	8	1	8	0	24.2
- of which defaulted	454	2	455	1	116.3
Retail, of which other retail:	10,036	4,757	11,411	2,415	30.7
- of which scoring grades A	1,146	2,441	2,197	1,228	7.4
- of which scoring grades B	1,954	1,087	2,236	534	14.3
- of which scoring grades C	1,716	499	1,723	275	24.4
- of which scoring grades D	1,904	333	1,903	191	30.5
- of which scoring grades E	1,582	157	1,603	91	32.0
- of which scoring grades F	1,371	80	1,332	43	46.1
- of which not scored	53	83	89	14	43.2
- of which defaulted	310	77	328	39	260.7
Other non credit-obligation assets:	260	78	252	32	99.1

<sup>1</sup>Includes EAD for on-balance, off-balance, derivatives and securities financing.

NBF does not have the following IRB exposure classes: equity exposures, items representing securitisation positions, central governments and central banks, qualifying revolving retail.

Note 11, continued

**Capital requirements for market risk, 30 June 2015**

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other <sup>1</sup>	1,980	158	1,350	108			3,330	266
Equity risk	176	14	161	13			337	27
Foreign exchange risk	460	37			67	5	527	42
Commodity risk			20	1			20	1
Diversification effect	-716	-57					-716	-57
Stressed Value-at-Risk	1,512	121					1,512	121
Incremental Risk Measure	713	57					713	57
Comprehensive Risk Measure	408	33					408	33
<b>Total</b>	<b>4,533</b>	<b>363</b>	<b>1,531</b>	<b>122</b>	<b>67</b>	<b>5</b>	<b>6,131</b>	<b>490</b>

<sup>1</sup>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.

**Note 12 Transferred operations**

	Jan-Jun 2014	Full year 2014
EURm		
Net interest income	71	116
Net fee and commission income	17	49
Net result from items at fair value	-8	-7
Other operating income	1	1
<b>Total operating income</b>	<b>81</b>	<b>159</b>
Staff costs	-16	-30
Other expenses	-13	-19
Depreciation of tangible and intangible assets	-1	-1
<b>Total operating expenses</b>	<b>-30</b>	<b>-50</b>
<b>Profit before loan losses</b>	<b>51</b>	<b>109</b>
Net loan losses	-38	-48
<b>Operating profit</b>	<b>13</b>	<b>61</b>
Income tax expense	-1	-4
<b>Net profit for the period</b>	<b>12</b>	<b>57</b>

The table above shows the income statement impact of the sale of the operations in the Baltic countries as well as sale of the London and Frankfurt branches.