Annual Report 2015
Nordea Bank Finland

Nordea Bank Finland Plc is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 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 Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges.

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Nordea Bank Finland Group

Five-year overview of the Directors' Report

Income statement

EURm	2015	2014	2013	2012	2011
Net interest income	1,053	1,189	1,183	1,258	1,355
Net fee and commission income	104	75	-113	295	309
Net result from items at fair value	1,257	970	1,114	1,217	937
Profit from associated undertakings accounted for under the equity method	5	3	8	18	9
Other operating income	66	41	32	36	34
Total operating income	**2,485**	**2,278**	**2,224**	**2,824**	**2,644**
General administrative expenses:					
Staff costs	-547	-559	-553	-574	-592
Other expenses	-413	-433	-466	-447	-457
Depreciation, amortisation and impairment charges of tangible and intangible assets	-31	-92	-40	-50	-43
Total operating expenses	**-991**	**-1,084**	**-1,059**	**-1,071**	**-1,092**
Profit before loan losses	**1,494**	**1,194**	**1,165**	**1,753**	**1,552**
Net loan losses	-92	-60	-53	-144	-70
Impairment of securities held as financial non-current assets	-	-	1	-	-
Operating profit	**1,402**	**1,134**	**1,113**	**1,609**	**1,482**
Income tax expense	-347	-232	-285	-428	-381
Net profit for the year	**1,055**	**902**	**828**	**1,181**	**1,101**

Balance sheet

EURm	2015	2014	2013	2012	2011
Loans to central banks and credit institutions	32,417	35,351	35,767	36,827	79,350
Loans to the public	101,447	113,748	113,779	100,765	99,331
Interest-bearing securities and pledged instruments	34,770	45,701	34,246	37,896	33,764
Derivatives	80,557	105,254	70,234	117,213	170,228
Other assets	52,399	46,144	50,735	42,760	11,151
Total assets	**301,590**	**346,198**	**304,761**	**335,461**	**393,824**
Deposits by credit institutions	78,162	87,368	79,426	74,666	76,007
Deposits and borrowings from the public	62,153	76,879	80,909	70,212	68,260
Debt securities in issue	43,407	48,472	47,130	48,999	49,153
Derivatives	83,538	102,876	67,109	115,836	168,436
Subordinated liabilities	628	620	429	514	503
Other liabilities	21,406	20,365	20,244	16,017	19,864
Equity	12,296	9,618	9,514	9,217	11,601
Total liabilities and equity	**301,590**	**346,198**	**304,761**	**335,461**	**393,824**

Ratios and key figures

Group

	2015	2014	2013	2012	2011
Return on equity, %	9.6	9.4	8.8	11.3	9.7
Return on total assets, %	0.3	0.3	0.3	0.3	0.3
Cost/income ratio, %	40	48	48	38	41
Loan loss ratio, basis points	9	5	5	14	9
Common Equity Tier 1 capital ratio, incl. Basel I floor[1, 2], %	19.3	14.2	15.0	18.0	12.8
Tier 1 capital ratio, incl. Basel I floor [1, 2], %	20.2	15.1	15.0	18.0	12.8
Total capital ratio, incl. Basel I floor [1, 2], %	20.3	15.2	15.8	18.8	13.4
Common Equity Tier 1 capital, incl. Basel I floor[1, 2], EURm	10,998	8,454	8,430	8,246	10,310
Tier 1 capital[1, 2], EURm	11,548	9,004	8,430	8,246	10,310
Risk exposure amount, incl. Basel I floor[1, 3], EURm	58,188	61,328	56,077	45,733	80,567
Number of employees (full-time equivalents)[1]	6,595	6,653	7,981	8,252	8,828
Average number of employees	7,285	7,802	8,937	9,269	10,014
Salaries and remuneration, EURm	-413	-420	-426	-434	-463
Equity to total assets, %	4.1	2.8	3.1	2.7	2.9

[1] End of the year

[2] The 2013 ratios are reported under the Basel II regulation framework and the 2014 and 2015 ratios are reported using the Basel III (CRR/CRDIV) framework.

[3] Capital deductions and physical assets (PAS) are included in 2013, 2014 and 2015 ratios.

Business definitions and exchange rates

These definitions apply to the descriptions in the Annual Report.

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

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

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

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

Loan loss ratio
Net loan losses (annualised) divided by the closing balance of loans to the public (lending), basis points.

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

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

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

Risk-adjusted profit
Total income minus total operating expenses, minus Expected losses and standard tax (20% 2015). In addition, Risk-adjusted profit excludes major non-recurring items.

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

Tier 1 capital
Proportion of the capital base, which includes consolidated shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets in the banking operations. Shortfall is deducted with 100% in CET1 in 2015 and 2014. Subsequent to the approval of the supervisory authorities, Tier 1 capital also includes qualified forms of subordinated loans (Tier 1 capital contributions and hybrid capital loans).

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

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

Total capital ratio
Own funds as a percentage of risk exposure amount.

Exchange rates applied (end of year rates as at 31 December 2015)

EUR	1.0000	**USD**	1.0887	**DKK**	7.4626
GBP	0.73395	**CHF**	1.0835	**SEK**	9.1895
NOK	9.603	**PLN**	4.2639	**SGD**	1.5417

Rating, Nordea Bank Finland

31 Dec 2015	Short	Long
Moody's	P-1	Aa3
Standard & Poor's	A-1+	AA-[1]
Fitch	F1+	AA-
DBRS	R-1(mid)	AA (low)

[1] Negative outlook

Nordea Bank Finland

Directors' Report

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

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

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

This report covers the operations of Nordea Bank Finland Plc and its subsidiaries in Finland and abroad. The Finnish Asset Management & Life operations are included in the annual report of the Nordea Group.

Simplifying the legal structure

The board of directors of each of Nordea Bank AB (publ), Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA have signed merger plans with the purpose to change the Norwegian, Danish and Finnish subsidiary banks to branches of the Swedish parent company by means of cross-border mergers. By simplifying and changing into a branch structure Nordea will strengthen its governance, decrease the administrative complexity and make it possible to operate as One Bank.

The proposed changes to the legal structure depend on approval by the Nordea Bank AB (publ) shareholders at the Annual General Meeting, approvals and a satisfactory outcome of the discussions with regulators and authorities in each country and that the mergers are not impeded, wholly or in part, by applicable laws or any other reason deemed significant by the Board of Directors of Nordea Bank AB (publ). The mergers are planned to be executed by early 2017.

Subsidiaries and foreign branches

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

NBF has foreign branches in New York and Singapore. NBF has no foreign representative offices.

Changes in the group structure

NBF continued the transfer of foreign branch operations to Nordea Bank AB (publ) on 1 January 2015 when the London and Frankfurt operations were sold. The sales profit from the transaction was EUR 35m and it was recognised in January 2015. The impact of the London and Frankfurt operations on the 2014 income statement is disclosed in Note 48 for comparison purposed. Impact on the balance sheet was EUR 0.7bn.

Branches operating in the Baltics as well as the majority of Baltic subsidiaries were sold to Nordea Bank AB (publ) already in April 2014. The impact of the transferred Baltic operations on the 2014 income statement is presented in a separate table in Note 48 for comparison purposes. The impact on the 2014 balance sheet was approximately EUR 3.1bn.

All the transferred operations continued as before in Nordea.

Nordea Bank Finland Plc's associated company Oy Realinvest Ab was dissolved during the year. The dissolution had no material effect on the Group's result.

Business development in 2015

2015 was a challenging year with exceptionally low interest rates, geopolitical tensions and market turmoil. Commodity prices have continued to fall, and the slowdown in China has become more visible in the course of the year. Nordic economies have been on diverging courses, with Sweden leading the race for growth followed by Denmark which is back on track after several years of stagnation. In Finland, the economic picture remained more muted, with growth swaying between positive and negative territory over the quarters.

Despite the weak macroeconomic trend and the transfer of Frankfurt and London operations to Nordea Bank AB (publ), total operating income increased 9%. Profit before loan losses was 25% and operating profit 24% higher than in the previous year. Loan loss ratio remained at a moderate level being 9 basis points. Profit before tax totalled EUR 1,402m (2014: 1,134), and return on equity was 9.6% (9.4).

Comments on the income statement

Operating income

Total operating income increased to EUR 2,485m (2,278), mainly explained by the higher net fee and commission income and good performance in net result from items at fair value.

Net interest income decreased 11% to EUR 1,053m (1,189). Lending volumes decreased 11% and deposit volumes 19% mainly due to the transferred operations and lower volumes of reverse repurchase agreements. Average lending margins were higher than in the previous year while deposit margins decreased from the previous year. Total lending to the public, excluding reverse repurchase agreements and transferred operations, increased 2%. Deposit volumes, excluding repurchase agreements and transferred operations, increased 9%.

Net fee and commission income increased 39% to EUR 104m (75). Fee and commission income was 4% lower and totalled EUR 759m (794). Savings related commissions increased due to increased activity and positive market development. Lending commissions were down mainly due to the transferred operations. Fee and commission expenses decreased EUR 64m and totalled EUR 655m (719). The guarantee fee paid to Nordea Bank AB (publ) was significantly lower and the bank levy 2013-2014 had no impact in 2015.

Net result from items at fair value increased to EUR 1,257m (970) driven by the good performance in foreign exchange and money markets products.

Profit from associated undertakings accounted for under the equity method was EUR 5m (3).

Other operating income increased to EUR 66m (41). EUR 35m related to the sale of Frankfurt and London operations to Nordea Bank AB (publ).

Operating expenses

Total operating expenses were 9% lower than in the previous year and totalled EUR 991m (1,084). Nordea will initiate certain key activities to manage the transition to a truly digital bank. This will lead to a restructuring charge of EUR 34m.

Staff costs decreased 2% to EUR 547m (559). Excluding the above mentioned restructuring provision as well as the impact of transferred operations, staff costs increased 2%. The number of employees, measured by full-time equivalents, decreased by around 60 during the year and amounted to 6,595 at the end of the year.

Other expenses were down 5% and amounted to EUR 413m (433). When excluding the impact of transferred operations and the restructuring provision other expenses were stable.

Depreciations and impairment charges were significantly lower than in the previous year and amounted to EUR 31m (92). The decision to build new core banking and payment platforms and the reassessments of the useful lives of other systems led to an impairment charge in 2014.

Loan losses

Net loan losses amounted to EUR 92m (60) and the loan loss ratio was 9 (5) basis points. Provisions for individually assessed loans totalled EUR 94m and reversals of provisions for collectively assessed loans EUR 2m.

Individual loan losses amounted to 9 basis points of loans to the public in 2015 compared to 4 basis points in 2014. Collective provisions net amounted to 0 basis points in 2015 compared to 2 basis points in 2014.

Nordea Bank AB (publ) has guaranteed part of NBF's corporate exposures and based on the agreement NBF's loan losses decreased EUR 22 m in 2015 and EUR 66m in 2014.

Taxes

Income tax expenses were EUR 347m (232). The effective tax rate amounted to 25% (20). The tax rate is higher than the legal tax rate due to uncreditable foreign taxes.

Net profit

Net profit for the year amounted to EUR 1,055m (902). Return on equity was 9.6% (9.4).

Comments on the balance sheet

Assets

Consolidated *total assets* amounted to EUR 302bn at year-end, showing a decrease of EUR 45bn compared to the previous year-end.

Loans and balances with central banks increased to 33bn (29).

Loans to central banks and credit institutions decreased to EUR 32bn (35) partly due to lower value of intragroup deposits.

Loans to the public decreased to EUR 101bn (114). Volumes of reverse repurchase agreements decreased EUR 10bn, and the impact of the sale of Frankfurt and London operations was EUR 4bn. Excluding reverse repurchase agreements and transferred operations, loans to the public increased 1bn.

Mortgage lending increased 2% and totalled EUR 29bn (28). Corporate lending decreased 17% compared to the previous year totalling EUR 63bn (76). Excluding repurchase agreements, the decrease was 10%. Consumer lending to households was stable at EUR 8bn.

Interest-bearing securities and financial instruments pledged as collateral decreased to EUR 35bn (46).

Positive market values of *derivatives* decreased EUR 25bn to EUR 81bn (105) due to increased central counterparty clearing and changes in interest rate term structure.

Other assets increased approximately EUR 2bn.

Liabilities

Total liabilities amounted to EUR 289bn (337), showing a decrease of EUR 47bn.

Deposits by credit institutions and central banks decreased EUR 9bn to EUR 78bn (87).

Deposits and borrowings from the public decreased EUR 15bn to EUR 62bn (77). Volumes of repurchase agreements decreased EUR 15bn, and the impact of the sale of Frankfurt and London operations was EUR 4bn. Excluding repurchase agreements and transferred operations, deposits increased 4bn.

Debt securities in issue decreased to EUR 43bn (48). The amount of covered bonds issued by NBF was at year-end EUR 17.4bn. Other issued securities mainly comprised short-term debt instruments with a maturity less than one year.

Negative market values of *derivatives* decreased EUR 19bn to EUR 84bn (103).

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

Equity

Shareholders' equity amounted to EUR 9,618m at the beginning of 2015. EUR 450m was paid as dividend to Nordea Bank AB (publ). Capital injection paid by Nordea Bank AB (publ) increased EUR 2bn distributable equity during the latter part of the year. Net profit for the year was EUR 1,055m. At the end of 2015 total equity amounted to EUR 12,296m.

Appropriation of distributable funds

The parent company's distributable funds on 31 December 2015 were EUR 8,666m of which the profit for the year is EUR 1,002m. It is proposed that:

- a dividend of EUR 780m be paid
- whereafter the distributable funds will total EUR 7,886m.

Off-balance sheet commitments

The bank's business operations include a considerable proportion of off-balance sheet items, such as guarantees, documentary credits and credit commitments. Credit commitments and unutilised credit lines amounted to EUR 13.6bn (16.0), while guarantees and granted but not utilised documentary credits as well as other off-balance sheet commitments, excluding the nominal values of derivative contracts, totalled EUR 12.8bn (15.7).

The nominal values of derivatives increased to EUR 7,620bn (6,973).

Capital adequacy

At year-end, the Group's total capital ratio was 20.3% (15.2) and the Tier 1 ratio 20.2% (15.1). Risk exposure amount totalled EUR 58bn (61).

Risk, Liquidity and Capital management

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

Management principles and control
Group Board of Directors and Board Risk Committee

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

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

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

Responsibility of CEO and GEM

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

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

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

- The Asset and Liability Committee (ALCO), chaired by the Group Chief Operating Officer (COO), prepares issues of major importance concerning the Group's financial operations and balance sheet risks either for decision by the CEO in GEM or for recommendation by the CEO in GEM and for decision by the Group Board.

- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Further, within the scope of resolutions adopted by the Board of Directors, the Risk Committee decides on the allocation of the market risk limits and liquidity risk limits to the risk-taking units. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules. The Risk Committee has established subcommittees for its work and decision-making within specific risk areas. Minutes of the meetings in sub-committees are distributed to the members of the Risk Committee.

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

Governance of Risk Management

Group Risk Management and Group Compliance is the second line of defence. The flow of risk related information from the business areas and the group functions to the Board of Directors passes through Risk Committee and Board Risk Committee (BRIC). Group Compliance reports to the Board of Directors through Board Audit Committee (BAC).

Group Risk Management is organised in divisions covering all risk types except compliance risk. The divisions are: Group Credit Risk, Group Credit &

Financial Reporting Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Recovery and Resolution Planning and Group Strategic Risk Management and Analysis. The flow of information starts with the divisions that monitor and analyse information on the respective risk type. The risks are presented and discussed in the Risk Committee and sub committees. Information on risk is then brought to BRIC where risk issues are being discussed and prepared before presented to Board of Directors.

Group Compliance is organised in divisions covering all compliance risk types, with compliance divisions allocated to each Business Area. The purpose of Group Compliance is to add value to the Group and its stakeholders by providing an independent view on compliance to rules and regulations applicable to the Group, and by contributing to an effective and efficient compliance risk management.

Risk appetite

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

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

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

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

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

Monitoring and reporting

The control environment is based on the principles for segregation of duties and independence. Monitoring and reporting of risk are conducted on a daily basis for market and liquidity risk and on a monthly and quarterly basis for credit and operational risk.

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

Disclosure requirements of the CRR – Capital and Risk Management Report 2015

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2015, in accordance with the Capital Requirements Regulation (CRR) which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Risk management

Credit Risk management

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

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

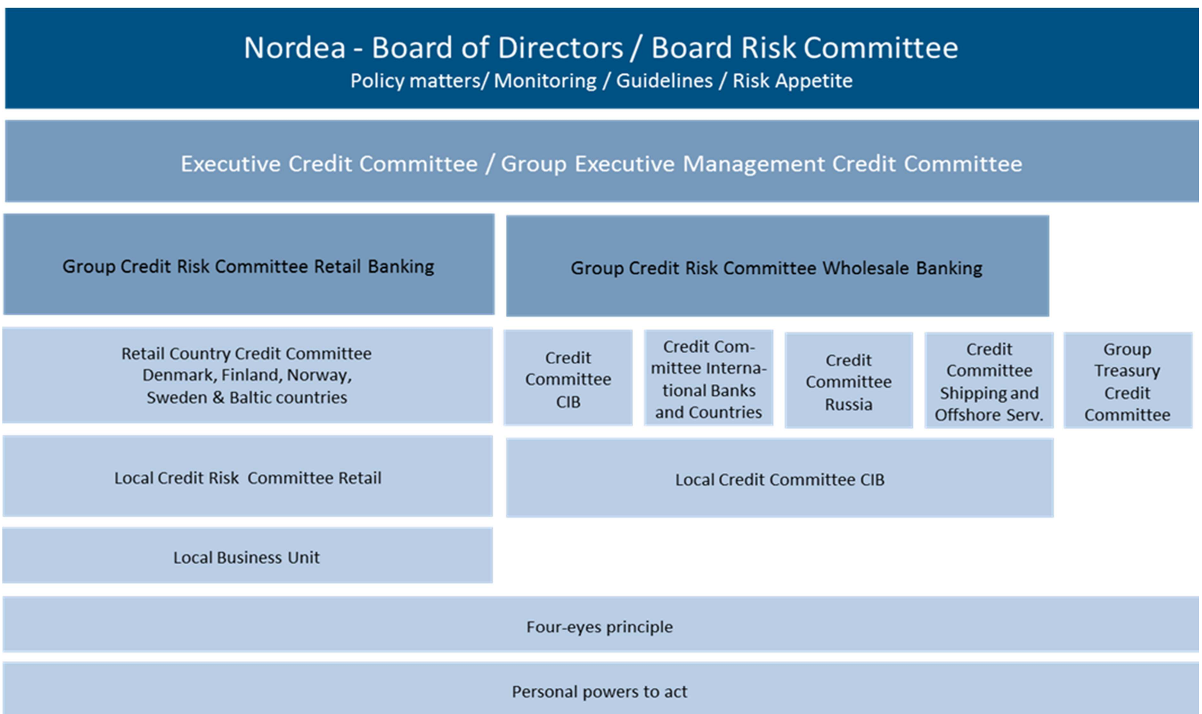
Credit risk definition and identification

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

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation by the use of credit default swaps is applied to a limited extent. Covenants in credit agreements are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

Credit decision-making structure for main operations



Individual and collective assessment of impairment

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

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

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

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The purpose of collective loan loss reserves is to account for value reductions in the performing credit portfolio due to loss events that have occurred. Nordea's model for collective provisions uses a statistical model as a base-line for assessing the amount of provisions needed for the parts of Nordea's portfolios that are not individually assessed. The Collective provisioning model is based on migration of rated and scored customers in the credit portfolio. The assessment of collective impairment is built on an incurred loss concept, where the credit quality of each exposure is related to its initial credit quality. If the credit quality has deteriorated, collective provisions corresponding to a true and fair assessment of the expected loss is calculated by the model. Moreover, defaulted customers without individual provisions are also collectively assessed. The output of the model is complemented with an expert based analysis process to ensure adequate provisioning. The model is executed quarterly and the output is a result of a bottom-up calculation from sub-exposure level, taking the latest portfolio development into account. 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 44 to the financial statements.

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

	Group		Parent company	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans to central banks and credit institutions	**32,417**	**35,351**	**38,636**	**41,091**
Loans to the public	**101,447**	**113,748**	**94,063**	**106,639**
- of which corporate	63,179	76,238	58,818	72,031
- of which household	36,998	36,296	33,975	33,394
- of which public sector	1,270	1,214	1,270	1,214
Total loans	**133,864**	**149,099**	**132,699**	**147,731**
Off-balance credit exposure	26,025	30,907	23,344	28,379
Counterparty risk exposure	29,561	35,627	29,561	35,627
Interest-bearing securities[1]	34,770	45,701	34,770	45,701
Total credit risk exposure in the banking operations	**224,220**	**261,334**	**220,374**	**257,438**

[1] Also includes 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 principal amount of on-balance sheet claims, i.e. loans to central banks and credit institutions, loans to the public and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing.

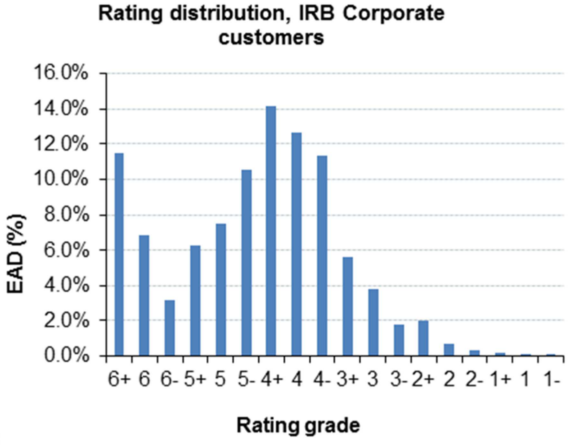
NBF's total lending decreased to EUR 101bn (114) during 2015. It is attributable to decrease of 17% in the corporate portfolio and an increase of 2% in the household portfolio. Part of the corporate portfolio is guaranteed by NBF's parent company Nordea Bank AB (publ). Including off-balance sheet exposures, the total credit risk exposure at year-end was EUR 224bn (261). Out of lending to the public, corporate customers accounted for 62% (67) and household customers 36% (32). Loans to credit institutions mainly in the form of inter-bank deposits, decreased to EUR 32bn (35) at the end of 2015.

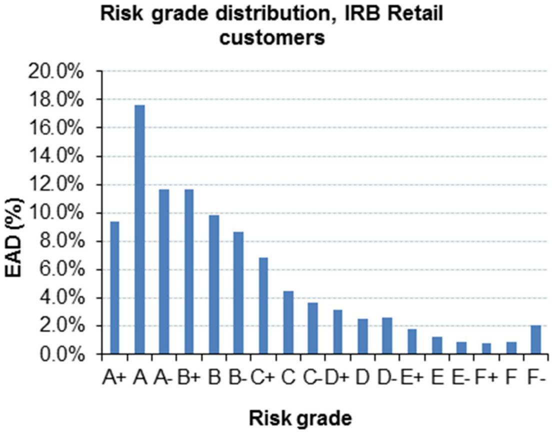
Loans to corporate customers
Loans to corporate customers at the end of 2015 amounted to EUR 63bn (76), down 17%. Real estate remains the largest sector in NBF's lending portfolio at EUR 8.1bn (8.1). The real estate portfolio predominantly consists of relatively large and financially strong companies.

Loans to household customers
In 2015 lending to household customers increased 2% to EUR 37bn (36). Mortgage loans increased 2% to EUR 29bn while consumer loans were largely unchanged at EUR 8bn. The proportion of mortgage loans of total household loans remained the same at 78% (78).

Geographical distribution
Lending to the public distributed by borrower domicile shows that the Nordic market accounts for 60% (72). Other EU countries represent the main part of the lending outside the Nordic and Baltic countries.

Rating and scoring distribution
One way of assessing credit quality is through an analysis of the distribution across rating grades for rated corporate customers and institutions as well as across risk grades for scored household and small business customers, i.e. retail exposures. About 85% (87) of the corporate exposure is rated 4- or higher and the portion of institutional exposure rated 5- or higher is 91% (93). About 84% (83) of the retail exposures are scored C- or higher.





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

Group

31 Dec 2015, EURm	Finland	Baltic	Total 2015	Total 2014
Energy (oil, gas etc.)	3	0	3	677
Metals and mining materials	179	13	192	227
Paper and forest materials	759	19	778	759
Other materials (building materials etc.)	1,534	42	1,576	1,723
Industrial capital goods	765	5	770	824
Industrial commercial services etc.	1,368	159	1,527	1,606
Construction and engineering	703	64	767	839
Shipping and offshore	3,265	0	3,265	4,139
Transportation	813	336	1,149	1,153
Consumer durables (cars, appliances etc.)	370	14	384	486
Media and leisure	536	17	553	533
Retail trade	1,894	117	2,011	2,293
Consumer staples (food, agriculture, etc.)	1,104	228	1,332	1,405
Health care and pharmaceuticals	344	14	358	315
Financial institutions	974	7	981	1,737
Real estate	8,038	24	8,062	8,103
IT software, hardware and services	316	9	325	333
Telecommunication equipment	62	1	64	27
Telecommunication operators	542	3	545	438
Utilities (distribution and productions)	1,800	8	1,808	1,756
Other, public and organisations	1,575	276	1,851	2,088
Total excl. reverse repurchase agreements	**26,943**	**1,358**	**28,301**	**31,461**
Reverse repurchase agreements	34,878	-	34,878	44,777
Total corporate loans	**61,821**	**1,358**	**63,179**	**76,238**
Household mortgage loans	28,906	0	28,906	28,386
Household consumer loans	7,873	219	8,092	7,910
Public sector	1,270	0	1,270	1,214
Total loans to the public	**99,870**	**1,577**	**101,447**	**113,748**
Loans to central banks and credit institutions	32,417	**0**	32,417	35,351
Total loans	**132,287**	**1,577**	**133,864**	**149,099**

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

Parent company

31 Dec 2015, EURm	Finland	Baltic	Total 2015	Total 2014
Energy (oil, gas etc.)	1		1	676
Metals and mining materials	132		132	176
Paper and forest materials	511		511	598
Other materials (building materials etc.)	1,172		1,172	1,320
Industrial capital goods	627		627	661
Industrial commercial services etc.	1,030		1,030	1,089
Construction and engineering	506		506	495
Shipping and offshore	3,264		3,264	4,133
Transportation	323		323	376
Consumer durables (cars, appliances etc.)	319		319	421
Media and leisure	457		457	431
Retail trade	1,549		1,549	1,840
Consumer staples (food, agriculture, etc.)	874		874	993
Health care and pharmaceuticals	270		270	221
Financial institutions	962		962	1,715
Real estate	8,020		8,020	8,064
IT software, hardware and services	197		197	229
Telecommunication equipment	60		60	23
Telecommunication operators	540		540	434
Utilities (distribution and productions)	1,746		1,746	1,701
Other, public and organisations	1,379		1,379	1,659
Total excl. reverse repurchase agreements	**23,940**	**-**	**23,940**	**27,254**
Reverse repurchase agreements	34,878		34,878	44,777
Total corporate loans	**58,818**	**-**	**58,818**	**72,031**
Household mortgage loans	28,906		28,906	28,386
Household consumer loans	5,069		5,069	5,008
Public sector	1,270		1,270	1,214
Total loans to the public	**94,063**	**-**	**94,063**	**106,639**
Loans to central banks and credit institutions	38,636	-	38,636	41,091
Total loans	**132,699**	**-**	**132,699**	**147,731**

Impaired loans

Impaired loans gross increased 1.4% to EUR 1,501m from EUR 1,480m, corresponding to 112bp (99) of total loans. 43% (56) of impaired loans gross are performing and 57% (44) are non-performing. Impaired loans net, after allowances for individually assessed impaired loans, amounted to EUR 978m (964), corresponding to 73bp (64). Allowances for individually assessed loans increased to EUR 523m from EUR 516m. Allowances for collectively assessed loans decreased to EUR 104m from EUR 119m. The provisioning ratio was 42% (43). The industry with the largest increase in impaired loans was Other materials (building materials).

Past due loans (6 days or more) to corporate customers that are not considered impaired increased to EUR 245m (223). The volume of past due loans to household customers increased to EUR 565m (280) in 2015 reflecting the worsened economic situation in Finland.

Net loan losses

Loan losses increased to EUR 92m (60) in 2015. This corresponded to a loan loss ratio of 9bp (5). EUR 50m (34) relates to corporate customers and EUR 42m (26) relates to household customers. The main losses were in the corporate sector Real Estate.

Impaired loans and ratios[1]

	Group		Parent company	
EURm	2015	2014	2015	2014
Impaired loans gross	1,501	1,480	1,330	1,188
- of which performing	646	823	619	653
- of which non-performing	855	657	711	535
Impaired loans ratio, basis points[2]	112	99	100	80
Total allowance ratio, basis points	47	42	40	38
Provisioning ratio, % [3]	42	43	40	48

[1] Excluding off-balance sheet items
[2] Total allowances in relation to total loans before allowances
[3] Total allowances in relation to impaired loans

Net loan losses and loan loss ratios

	Group		Parent company	
Basis points of loans	2015	2014	2015	2014
Net loan losses, EURm	92	60	42	54
Loan loss ratio[1]	9	5	4	5
- of which individual	9	4	7	3
- of which collective	0	2	-3	2
Loan loss ratio, Retail Banking	19	21	12	24
Loan loss ratio, Corporate & Institutional Banking	2	5	2	5
Loan loss ratio, Shipping, Offshore & Oil Service	-5	-41	-5	-41

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

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

Group

31 Dec 2015, EURm	Finland	Baltic	Total	Allowances	Provisioning ratio
Energy (oil, gas etc)	2	0	2	2	90%
Metals and mining materials	26	0	26	22	83%
Paper and forest materials	1	0	1	1	69%
Other materials (building materials etc.)	266	0	266	117	44%
Industrial capital goods	42	0	42	31	73%
Industrial commercial services etc.	116	0	116	70	60%
Construction and engineering	27	0	27	18	66%
Shipping and offshore	20	0	20	22	
Transportation	10	0	10	6	62%
Consumer durables (cars, appliances etc.)	18	0	18	9	49%
Media and leisure	22	0	22	11	53%
Retail trade	96	0	96	60	63%
Consumer staples (food, agriculture etc.)	48	0	48	34	70%
Health care and pharmaceuticals	7	0	7	4	55%
Financial institutions	27	0	27	21	78%
Real estate	52	0	52	19	37%
IT software, hardware and services	39	0	39	26	66%
Telecommunication equipment	1	0	1	1	65%
Telecommunication operators	2	0	2	1	36%
Utilities (distribution and productions)	0	0	0	0	45%
Other, public and organisations	1	16	16	44	
Total corporate impaired loans	**824**	**16**	**840**	**518**	**62%**
Household mortgage loans	220	0	220	10	5%
Household consumer loans	441	0	441	99	22%
Public sector	0	0	0	0	
Credit institutions	0	0	0	0	
Total impaired loans gross	**1,485**	**16**	**1,501**		
Total allowances	**613**	**14**		**627**	
Provisioning ratio	**41%**	**88%**			**42%**

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

Parent company

31 Dec 2015, EURm	Finland	Baltic	Total	Allowances	Provisioning ratio
Energy (oil, gas etc.)	2		2	2	90%
Metals and mining materials	26		26	21	82%
Paper and forest materials	1		1	1	69%
Other materials (building materials etc.)	258		258	112	43%
Industrial capital goods	42		42	31	73%
Industrial commercial services etc.	116		116	70	60%
Construction and engineering	25		25	16	65%
Shipping and offshore	20		20	22	
Transportation	8		8	4	49%
Consumer durables (cars, appliances etc.)	15		15	8	54%
Media and leisure	16		16	7	44%
Retail trade	92		92	59	64%
Consumer staples (food, agriculture etc.)	39		39	33	85%
Health care and pharmaceuticals	4		4	3	63%
Financial institutions	27		27	21	78%
Real estate	52		52	19	37%
IT software, hardware and services	38		38	26	68%
Telecommunication equipment	1		1	1	65%
Telecommunication operators	2		2	1	36%
Utilities (distribution and productions)	0		0	0	44%
Other, public and organisations	0		0	20	
Total corporate impaired loans	**783**	**-**	**783**	**476**	**61%**
Household mortgage loans	220		220	10	5%
Household consumer loans	327		327	47	14%
Public sector	0		0	0	
Credit institutions	0		0	0	
Total impaired loans gross	**1,330**	**-**	**1,330**		
Total allowances	**533**			**533**	
Provisioning ratio	**40%**				**40%**

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The exposure at the end of 2015 was EUR 29.6bn (35.6), of which the current exposure net (after close-out and collateral reduction) represents EUR 13.5bn. 46% of the exposure and 33% of the current exposure net was towards financial institutions.

For information about financial instruments subject to master netting agreement, see Note 40.

Market risk

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

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

Measurement of market risk

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

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

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

Market risk figures for the trading book, VaR[1]

Group

EURm	Measure	31 Dec 2015	2015 high	2015 low	2015 average	31 Dec 2014
Total Risk	VaR	33.0	70.3	13.2	30.6	27.9
- Interest Rate Risk	VaR	32.4	65.9	11.3	27.0	26.1
- Equity Risk	VaR	7.0	17.7	2.6	5.3	5.9
- Credit Spread Risk	VaR	5.6	11.0	4.2	7.1	7.0
- Foreign Exchange Risk	VaR	5.2	21.2	3.2	7.4	3.5
Diversification effect	VaR	34%	61%	20%	36%	35 %

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

Market risk analysis

Market risk for the trading book as measured by total VaR was EUR 33m (28) at the end of 2015. The main contributor to total VaR was Interest Rate VaR which was EUR 32m (26).

The fair value of investments in private equity funds reported as fair value option was EUR 2m (2) at the end of 2015.

Foreign exchange rate positions in FX VaR[1]

Group

EURm	2015	2014
DKK	714	643
USD	78	58
CAD	-41	0
GBP	-35	-1
CHF	-29	-33
HKD	-28	-6
BRL	-28	-22
NZD	23	-2
Other[2]	-21	

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

[2] Aggregate net position for foreign exchange positions with an individual absolute value below EUR 21m

Structural Interest Income Risk

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

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

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

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

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

SIIR measurement methods

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

SIIR analysis

At the end of 2015, SIIR for increasing rates was EUR 48m (+9) and SIIR for decreasing market rates was EUR +105m (+56).

Operational risk

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems, or from external events. Operational risk includes legal risk and is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

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

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

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

Compliance risk

Nordea defines compliance risk as the risk to fail to comply with laws, regulations, rules and prescribed practises and ethical standards, governing Nordea's activities in any jurisdiction, which could result in material financial or reputational loss to the Group, regulatory remarks or sanctions.

The key principle for the management of Compliance risk is the three lines of defence. The first line of defence represented by the Business Areas and Group Functions are risk owners, and are responsible for their own daily risk management and control of compliance risks. Management on all levels are responsible for operating their business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes, and for implementing and executing Group level and Business Area level instructions and guidelines.

Group Compliance is the second line of defence risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance to relevant rules and regulations, to a large degree based on carried out monitoring activities. Furthermore, Group Compliance also advises and supports the first line on ways to effectively and efficiently handle compliance obligations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defence.

To specifically address the deficiencies in this area the bank has established a Financial Crime Change Programme, which is a holistic approach to develop a group-wide and sustainable standard for the prevention of financial crime.

However, broader change activities aimed to strengthen the general compliance framework in Nordea has accelerated significantly. Initiatives are targeted both towards strengthening the regulatory implementation capability in the first line as well as strengthening Group Compliance to ensure the second line role is carried out in accordance with regulatory and internal requirements.

The supervisory authorities have during 2015 conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice and AML. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

Liquidity risk management

Management principles and control

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

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

Liquidity risk management

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

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

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

Liquidity risk measurement methods

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

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

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

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

Liquidity risk analysis
The short-term liquidity risk remained at moderate levels throughout 2015. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +6.5bn (+2.0).

NBF's liquidity buffer range was EUR 13.7–18.9bn (14.6–18.9) throughout 2015 with an average buffer size of EUR 16.1bn (17.2). NBF's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury & ALM. Survival horizon was in the range EUR +1.5 – 18.9bn (+2.1 – 17.6) throughout 2015 with an average of EUR 11.6bn (10.5). The aim of always maintaining a positive NBSF was comfortably achieved throughout 2015. The yearly average for the NBSF was EUR 32.7bn (27.5).

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

Capital governance
The Board of Directors decides ultimately on the targets for capital ratios and the capital policy in Nordea, while the CEO in GEM decides on the overall framework of capital management. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

The capital requirement and the capital base described in this section follow the CRD rules and not accounting standards, see Note 37 for details.

Minimum capital requirements
Risk exposure amount (REA) is calculated in accordance with the requirements in the CRD. Nordea had 74.4% of its REA covered by internal rating based (IRB) approaches by the end of 2015. Nordea uses the advanced IRB approach for corporate exposures in the Nordic region and the retail IRB approach for the majority of the retail exposures in Finland.

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

Internal capital requirement
Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by the CRD and risks internally defined under Pillar II. The following major risk types are included in the internal capital requirement: credit risk, market risk and operational 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. Regulatory buffers were introduced with the implementation of CRD IV.

Economic Capital (EC)
Nordea's Economic Capital model is based on the same risk components as the ICAAP but also includes risks in the insurance businesses. EC is calculated for the conglomerate whereas the ICAAP, which is governed by the CRD, covers only the financial group. EC is aligned to CET1 capitalisation requirements in accordance to CRD IV. Additional capital items were introduced in the EC during 2014 to reduce the gap between legal equity and allocated capital.

Economic Capital for Nordea Bank Finland was at the end of 2015 EUR 6.3bn (6.7).

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

Expected losses (EL)
EL reflects the normalised loss level of an individual credit exposure over a business cycle as well as various portfolios. During 2015 there were no changes to the EL framework apart from the regular update of parameters based on the latest validations.

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

Own funds
Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both Common Equity Tier 1 (CET1) and Additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend.

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

Further information - Note 37 Capital adequacy and the Capital and Risk Management Report
Further information on capital management and capital adequacy is presented in Note 37 Capital adequacy and in the Capital and Risk Management Report 2015 at www.nordea.com.

Summary of items included in own funds

Group

EURm	31 Dec[3] 2015	31 Dec[3] 2014
Calculation of own funds		
Equity in the consolidated situation	12,296	9,618
Proposed/actual dividend	-780	-450
Common Equity Tier 1 capital before regulatory adjustments	11,516	9,168
Deferred tax assets		
Intangible assets	-44	-47
IRB provisions shortfall (-)	-207	-237
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities[1]	-72	-16
Other items, net	-196	-414
Total regulatory adjustments to Common Equity Tier 1 capital	-518	-714
Common Equity Tier 1 capital (net after deduction)	**10,998**	**8,454**
Additional Tier 1 capital before regulatory adjustments	550	550
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital	550	550
Tier 1 capital (net after deduction)	**11,548**	**9,004**
Tier 2 capital before regulatory adjustments	76	69
IRB provisions excess (+)/shortfall (-)		
Deduction 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	76	69
Own funds (net after deduction)[2]	**11,624**	**9,073**

[1] Based on approval from Supervisory Authority
[2] Own funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 11,831m by 31 Dec 2015
[3] Including profit

Capital adequacy ratios	Group		Parent company	
	31 Dec 2015	31 Dec 2014[1]	31 Dec 2015	31 Dec 2014[1]
Excl. Basel I floor				
CET1 capital ratio, %	24.8	16.7	26.3	17.2
Tier 1 capital ratio, %	26.0	17.8	27.6	18.4
Total capital ratio, %	26.2	17.9	27.8	18.5
Capital adequacy quotient (own funds / capital requirement)	3.3	2.2	3.5	2.3
Incl. Basel I floor				
CET1 capital ratio, %	19.3	14.2	20.5	14.7
Tier 1 capital ratio, %	20.2	15.1	21.5	15.7
Total capital ratio, %	20.3	15.2	21.7	15.8
Capital adequacy quotient (own funds / capital requirement)	2.5	1.9	2.7	2.0

[1] Market Risk - of which trading book, Standardised Approach has been restated in 2014

New regulations

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

In Finland the capital conservation buffer was set to 2.5% CET1 from 1 January 2015. In its role as macro prudential authority, the Board of the Finnish FSA, has decided not to impose the countercyclical capital buffer. On 6 July 2015 the macro prudential authority identified Nordea Bank Finland as one of four other systemically important institutions (O-SIIs) and imposed a O-SII buffer of 2% CET1 to be held as of 7 January 2016. On 22 December 2015, the Board of Finnish FSA stated that it will start to investigate the possibilities to increase the risk weights of mortgage loan portfolios. Discussions related to implementation of systemic risk buffer in Finnish legislation are continuing.

Starting in November 2014, Nordea Bank Finland is under the direct supervision of the European Central Bank (ECB) within the framework of the Single Supervisory Mechanism (SSM). As of beginning of 2016, also the second pillar of the Banking Union started its operations. The Single Resolution Board (SRB) is from now on responsible for the resolution of the significant banks directly supervised by the ECB. The SRB will, in close cooperation with the national resolution authority, the Financial Stability Authority, outline the resolution plan for Nordea Bank Finland and also sets the minimum requirement for own funds and eligible liabilities (MREL) to be held by the bank.

Updates on Basel III and the CRD IV/CRR

On 10 December 2015 the Basel Committee on Banking Supervision (BCBS) released a second consultative document on revisions to the standardised approach for credit risk. The proposal differs in several ways from the initial proposal published in December 2014. The previous proposal removed all references to external credit ratings and assigned risk weights based on a limited number of alternative risk drivers. The new proposal reintroduces the use of ratings for exposures to banks and corporates. The intention from the BCBS is to finalise the work by end-2016.

On 14 January 2016 the BCBS published a revised market risk framework, "Minimum capital requirements for market risk". The key features of the framework includes a revised boundary, revised internal models, revised standardised approach, a shift from value-at-risk to an expected shortfall measure of risk under stress and the incorporation of the risk of market illiquidity. The framework enters into force on 1 January 2019.

On 1 July 2015 the BCBS published a consultative document on the review of the CVA risk framework. The objectives of the review are to ensure that all important drivers of CVA risk and CVA hedges are covered in the framework, to align the framework with various accounting regimes and to ensure consistency with the revised market risk framework. The proposal includes an internal models approach and a standardised approach for CVA risk. The intention from the BCBS is that the revised CVA framework is to be finalised in mid-2016.

On 6 October 2014 the BCBS published a consultative document on the revision of the simpler approaches for operational risk. It has been stated that there will be a second consultation on this during 2016 together with major changes to the advanced approach for operational risk (AMA).

On 22 December 2014 the BCBS published a consultation on the design of a permanent floor, replacing the current Basel I (transitional) floor. The proposal is that the floor shall be based on the revised standardised approaches for credit-, market- and operational risks. The intention from the BCBS is to finalise the design and calibration of the floor by end-2016.

The BCBS will finalise the calibration of the leverage ratio during 2016 in order to implement it as a pillar 1 requirement by 1 January 2018. In a statement on 11 January 2016 it was stated that the leverage ratio will be based on a Tier 1 definition and should comprise a minimum level of 3% with the possibility to set additional requirement on G-SIBs.

Bank Recovery and Resolution Directive

The Banking Recovery and Resolution Directive (BRRD) outlines the tools and powers available to the relevant authorities in the EU, which are aimed at both preventing bank defaults as well as handling banks in crises, while maintaining financial stability. The BRRD requires banks to draw up recovery plans to describe the measures they would take in order to remain viable if their financial situation is considerably weakened. The BRRD also sets the minimum requirement for own funds and eligible liabilities (MREL) for all EU banks. BRRD has been implemented into national legislation in Finland. Simultaneously the nation resolution authorities are set up as are national resolution funds.

In November 2015 the Financial Stability Board (FSB) published the final standards on the total loss absorbing capacity (TLAC). The TLAC is intended to ensure adequate availability of loss-absorbing capacity for global systemic banks in resolution, similar to the MREL. The TLAC requirement will not be applied before 2019. Work is ongoing to align the TLAC and MREL frameworks within the European legislation.

Bank structural reform
The European Commission published a proposal for Bank Structural Reform in January 2014. The Commission's proposal to ban proprietary trading and separate certain trading activities based on supervisory assessment was discussed both in the European Parliament and in the Council during 2015, where the Council reached a general approach but where a final agreement has not yet been reached within the Parliament. It is expected that the negotiations in the Trilogue will start during 2016. Time for finalisation and possible implementation is still unclear.

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

Human resources

Our people form the future

Creating opportunities for our employees to flourish, and for talented individuals to join us, is part of being a responsible employer. We fully support realising the potential of our people and enabling them to enjoy a fulfilling career with Nordea, as well as to help them adjust and continue to thrive during times of change.

Our people are central to our ability to run our business well and accomplish our aims, both for the company and for society. Creating opportunities is about making sure that we employ the right people, with the right blend of skills and competences, and that we develop our people in the right way, in order to achieve our goals.

Leadership is vital
Good leadership is a key driver of strong performance, and is particularly critical in times of uncertainty and change. This makes developing and training our leaders and potential leaders a high priority, as well as equipping them to develop their own employees and helping them to reach their potential.

Engaging with staff
For several years we have conducted an annual employee satisfaction (ESI) survey to encourage our employees to tell us how they feel about working at Nordea.

Promoting equal opportunities
It is crucial for Nordea that we offer equal opportunities to all current and potential employees both in the hiring process and when it comes to career advancement. This is part of what it means to act responsibly, but it also makes sense for us as a business. The more diverse we are, and the more closely we mirror the societies we are part of, the greater our insight into our customers' circumstances and the better we can understand and serve their needs.

You find more information in our Corporate Social Responsibility report 2015 about how we in Nordea view leadership, how we create opportunities and support our staff during times of change as well as how we work to improve the gender balance.

Profit-sharing scheme
Profit sharing aims to stimulate value creation for the customers and shareholders and is offered to all employees. The performance criterion for the 2015 programme is Risk adjusted Return on Capital at Risk (RAROCAR). For 2015, each employee could receive a maximum of EUR 3,200.

Sustainability

In 2015, Nordea launched a new sustainability strategy. Building on many years of managing the sustainability impacts within our own operations, this new strategy aims to go further. We now aim to apply our expertise and competences to those societal challenges where we can effect positive change. Our three focus areas are promoting sustainable economic progress, building financial skills and ensuring a diverse workforce.

A stronger focus on compliance
In 2015 we also made changes to our compliance organisation across the group. We have a new structure in place, with top-level commitment to creating a holistic, best-in-class compliance programme to manage the risks of financial crime and bribery and corruption.

Making a difference where we can
We see our key contribution to society as enabling businesses to prosper and helping individuals enjoy a good quality of life. Key to this is making informed decisions about who we fund, what we invest in and where we spend our money. This year we developed a tool that helps us assess the environmental, social and governance risks faced by our corporate customer portfolio, such as climate change. As part of our new position on this important issue, Nordea will not start new client relationships with companies that are primarily dependent on coal.

Our staff continue to deliver on our long-standing commitment to build financial skills among today's young people by giving talks at secondary schools. The evidence is that this is needed. A survey we commissioned found that 40% of young Finns don't think they can take care of their personal finances.

Along with our efforts to tackle gender diversity and our new commitment to being carbon neutral, we have raised the bar in 2015. With continued diligence we are confident this higher ambition for sustainability will generate more value for all our stakeholders.

For more information on sustainability, please see Nordea's Sustainability Report 2015, available on www.nordea.com/responsibility.

Legal proceedings

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

Nordea shares

Nordea Bank Finland Plc does not possess its own shares. The information regarding bought and sold shares in the parent company Nordea Bank AB (publ) is presented in Note 47.

Subsequent events

No events have occurred after the balance sheet date that might affect the assessment of the annual financial statements.

Outlook 2016

The economic outlook for 2016 remains weak for Finland with low growth and low interest rates. Foreign trade is not recovering as expected, and growth will continue to depend on domestic demand.

The coming three years will be a transition period for Nordea, where a transformational change agenda will be executed in order to generate a truly digital bank. This change agenda is driven by changed customer behaviour, a shift in technology and regulatory requirements. Nordea will initiate certain key activities to manage the transition in an efficient way. Together with the investments in our core banking platform the outcome of this transformational agenda will lead to a more efficient and straightforward structure and decrease administrative complexity with the benefit to our customers, employees and investors and enable us to become truly “One Nordea”.

Nordea Bank Finland Group and Nordea Bank Finland Plc

Income statement

		Group		Parent company	
EURm	Note	2015	2014	2015	2014
Operating income					
Interest income	3	1,532	1,806	1,268	1,551
Interest expense	3	-479	-617	-478	-615
Net interest income	3	**1,053**	**1,189**	**790**	**936**
Fee and commission income	4	759	794	726	757
Fee and commission expense	4	-655	-719	-648	-712
Net fee and commission income	4	**104**	**75**	**78**	**45**
Net result from items at fair value	5	1,257	970	1,254	975
Profit from associated undertakings accounted for under the equity method	19	5	3	-	-
Dividends	6	-	-	101	117
Other operating income	7	66	41	65	29
Total operating income		**2,485**	**2,278**	**2,288**	**2,102**
Operating expenses					
General administrative expenses:					
Staff costs	8	-547	-559	-516	-525
Other expenses	9	-413	-433	-389	-410
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 20	-31	-92	-28	-88
Total operating expenses		**-991**	**-1,084**	**-933**	**-1,023**
Profit before loan losses		**1,494**	**1,194**	**1,355**	**1,079**
Net loan losses	11	-92	-60	-42	-54
Impairment of securities held as financial non-current assets		-	-	-	-16
Operating profit		**1,402**	**1,134**	**1,313**	**1,009**
Income tax expense	12	-347	-232	-311	-188
Net profit for the year		**1,055**	**902**	**1,002**	**821**
Attributable to:					
Shareholders of Nordea Bank Finland Plc		1,055	902	1,002	821
Non-controlling interests		-	-	-	-
Total		**1,055**	**902**	**1,002**	**821**
Net profit for the period from transferred international operations	48	-	**86**	-	**86**
Net profit for the period from transferred Baltic operations	48	-	**-29**	-	**-36**

Statement of comprehensive income

EURm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Net profit for the year	**1,055**	**902**	**1,002**	**821**
Items that may be reclassified subsequently to the income statement				
Currency translation differences during the year	0	0	-	-
Available-for-sale investments[1]:				
- Valuation gains/losses during the year	12	33	11	33
- Tax on valuation gains/losses during the year	-2	-7	-2	-6
- Transferred to the income statement during the year	-30	-	-30	-
- Tax on transfers to the income statement during the year	6	-	6	-
Cash flow hedges:				
- Valuation gains/losses during the year	210	29	210	29
- Tax on valuation gains/losses during the year	-42	-6	-42	-6
- Transferred to the income statement during the year	-190	-21	-190	-21
- Tax on transfers to the income statement during the year	38	4	38	4
Items that may be reclassified subsequently to the income statement				
Defined benefit plans:				
- Remeasurement of defined benefit plans during the year	89	-104	87	-101
- Tax on remeasurement of defined benefit plans during the year	-18	21	-17	20
Other comprehensive income, net of tax	**73**	**-51**	**71**	**-48**
Total comprehensive income	**1,128**	**851**	**1,073**	**773**
Attributable to:				
Shareholders of Nordea Bank Finland Plc	1,128	851	1,073	773
Non-controlling interests	-	-	-	-
Total	**1,128**	**851**	**1,073**	**773**

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

Balance sheet

EURm	Note	Group 31 Dec 2015	Group 31 Dec 2014	Parent company 31 Dec 2015	Parent company 31 Dec 2014
Assets					
Cash and balances with central banks		32,613	28,846	32,613	28,846
Loans to central banks	13	5,328	300	5,129	300
Loans to credit institutions	13	27,089	35,051	33,507	40,791
Loans to the public	13	101,447	113,748	94,063	106,639
Interest-bearing securities	14	30,143	34,643	30,143	34,643
Financial instruments pledged as collateral	15	4,627	11,058	4,627	11,058
Shares	16	2,020	1,918	2,019	1,917
Derivatives	17	80,557	105,254	80,557	105,254
Fair value changes of the hedged items in portfolio hedge of interest rate risk		51	76	51	76
Investments in group undertakings	18	-	-	309	308
Investments in associated undertakings	19	42	39	28	28
Intangible assets	20	44	47	31	35
Properties and equipment		76	84	69	71
Investment properties	22	1	2	1	2
Deferred tax assets	12	14	43	12	41
Current tax assets	12	1	0	-	-
Retirement benefit assets	31	90	25	90	25
Other assets	23	17,015	14,624	16,970	14,586
Prepaid expenses and accrued income	24	432	440	263	259
Total assets		**301,590**	**346,198**	**300,482**	**344,879**
Liabilities					
Deposits by credit institutions	25	78,162	87,368	78,172	87,128
Deposits and borrowings from the public	26	62,153	76,879	62,150	76,873
Debt securities in issue	27	43,407	48,472	43,407	48,472
Derivatives	17	83,538	102,876	83,538	102,876
Fair value changes of the hedged items in portfolio hedge of interest rate risk		557	773	557	773
Current tax liabilities	12	77	41	77	39
Other liabilities	28	20,066	18,577	19,856	18,370
Accrued expenses and prepaid income	29	567	804	382	611
Deferred tax liabilities	12	54	57	-	-
Provisions	30	81	85	78	82
Retirement benefit liabilities	31	4	28	4	25
Subordinated liabilities	32	628	620	628	620
Total liabilities		**289,294**	**336,580**	**288,849**	**335,869**
Equity					
Non-controlling interests		-	-	-	-
Share capital		2,319	2,319	2,319	2,319
Share premium reserve		599	599	599	599
Other reserves		4,897	2,824	4,897	2,826
Retained earnings		4,481	3,876	3,818	3,266
Total equity		**12,296**	**9,618**	**11,633**	**9,010**
Total liabilities and equity		**301,590**	**346,198**	**300,482**	**344,879**
Assets pledged as security for own liabilities	33	40,932	43,426	40,931	43,426
Other assets pledged	34	4,811	5,017	4,811	5,017
Contingent liabilities	35	12,432	14,906	12,599	15,102
Credit commitments	36	13,613	16,021	10,765	13,297
Other commitments	36	359	769	2	452

Other notes

Note 1 Accounting policies
Note 2 Segment reporting
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Note 38 Classification of financial instruments
Note 39 Assets and liabilities at fair value
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Note 41 Transferred assets and obtained collaterals
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Note 47 Nordea shares
Note 48 Transferred operations

Statement of changes in equity

Group

EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the shareholders of Nordea Bank Finland Plc									
			Other reserves							
Balance at 1 Jan 2015	**2,319**	**599**	**-2**	**43**	**2,848**	**-65**	**3,876**	**9,618**	**-**	**9,618**
Net profit for the year	-	-	-	-	-	-	1,055	1055	-	1,055
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	-	-	-	-	0	-	0	0	-	0
Available-for-sale investments:										
- Valuation gains/losses during the year	-	-	-	12	-	-	-	12	-	12
- Tax on valuation gains/losses during the year	-	-	-	-2	-	-	-	-2	-	-2
- Transferred to the income statement during the year	-	-	-	-30	-	-	-	-30	-	-30
- Tax on transfers to the income statement during the year	-	-	-	6	-	-	-	6	-	6
Cash flow hedges:										
- Valuation gains/losses during the year	-	-	210	-	-	-	-	210	-	210
- Tax on valuation gains/losses during the year	-	-	-42	-	-	-	-	-42	-	-42
- Transferred to the income statement during the year	-	-	-190	-	-	-	-	-190	-	-190
- Tax on transfers to the income statement during the year	-	-	38	-	-	-	-	38	-	38
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
- Remeasurement of defined benefit plans during the year	-	-	-	-	-	89	-	89	-	89
- Tax on remeasurement of defined benefit plans during the year	-	-	-	-	-	-18	-	-18	-	-18
Other comprehensive income, net of tax	-	-	16	-14	0	71	0	73	-	73
Total comprehensive income	-	-	16	-14	0	71	1,055	1,128	-	1,128
Share-based payments	-	-	-	-	-	-	0	0	-	0
Dividend for 2014	-	-	-	-	-	-	-450	-450	-	-450
Other changes	-	-	-	-	2,000[2]	-	0	2,000	-	2,000
Balance at 31 Dec 2015	**2,319**	**599**	**14**	**29**	**4,848**	**6**	**4,481**	**12,296**	**-**	**12,296**

[1] Total shares registered were 1,030.8 million (31 Dec 2014: 1,030.8 million). All the shares in Nordea Bank Finland Plc are held by Nordea Bank AB (publ). The carrying amount of the shares corresponds to EUR 2.25 per share. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 850m and maximum share capital EUR 3,400m.

[2] Capital injection paid by Nordea Bank AB (publ)

Statement of changes in equity *cont.*

Group

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

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

Statement of changes in equity *cont.*

Parent company

	Attributable to the shareholders of Nordea Bank Finland Plc							
			Other reserves					
EURm	Share capital[1]	Share premium reserve	Cash flow hedges	Available-for-sale investments	Other reserves	Defined benefit plans	Retained earnings	**Total equity**
Balance at 1 Jan 2015	**2,319**	**599**	**-2**	**44**	**2,848**	**-64**	**3,266**	**9,010**
Net profit for the year	-	-	-	-	-	-	1,002	1,002
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	-	-	-	-	-	-	-	-
Available-for-sale investments:								
- Valuation gains/losses during the year	-	-	-	11	-	-	-	11
- Tax on valuation gains/losses during the year	-	-	-	-2	-	-	-	-2
- Transferred to the income statement during the year	-	-	-	-30	-	-	-	-30
- Tax on transfers to the income statement during the year	-	-	-	6	-	-	-	6
Cash flow hedges:								
- Valuation gains/losses during the year	-	-	210	-	-	-	-	210
- Tax on valuation gains/losses during the year	-	-	-42	-	-	-	-	-42
- Transferred to the income statement during the year	-	-	-190	-	-	-	-	-190
- Tax on transfers to the income statement during the year	-	-	38	-	-	-	-	38
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:								
- Remeasurement of defined benefit plans during the year	-	-	-	-	-	87	-	87
- Tax on remeasurement of defined benefit plans during the year	-	-	-	-	-	-17	-	-17
Other comprehensive income, net of tax	-	-	16	-15	-	70	-	71
Total comprehensive income	-	-	16	-15	-	70	1,002	1,073
Share-based payments	-	-	-	-	-	-	0	0
Dividend for 2014	-	-	-	-	-	-	-450	-450
Other changes	-	-	-	-	2,000[2]	-	0	2,000
Balance at 31 Dec 2015	**2,319**	**599**	**14**	**29**	**4,848**	**6**	**3,818**	**11,633**

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

[2] Capital injection paid by Nordea Bank AB (publ)

Statement of changes in equity *cont.*

Parent company

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

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

No decision was made during the financial year to issue equity warrants or convertible bonds entitling to subscription of shares in the NBF. At the end of 2015, NBF held no authorisations given by the General Meeting for issuance or buybacks of shares, equity warrants or convertible bonds.

Cash flow statement – Total operations

EURm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Operating activities				
Operating profit	1,402	1,164	1,313	1,046
Operating profit for the period from transferred Baltic operations	-	-30	-	-37
Adjustments for items not included in cash flow	738	891	675	837
Income taxes paid	-304	-218	-261	-179
Cash flow from operating activities before changes in operating assets and liabilities	**1,836**	**1,807**	**1,727**	**1,666**
Changes in operating assets				
Change in loans to central banks	-5,046	3,378	-4,844	3,378
Change in loans to credit institutions	14,368	-3,662	13,679	-3,945
Change in loans to the public	12,196	714	12,530	1,083
Change in interest-bearing securities	5,170	-5,827	5,171	-5,827
Change in financial assets pledged as collateral	6,431	-1,319	6,431	-1,319
Change in shares	-102	-1,243	-102	-1,243
Change in derivatives, net	3,583	1,136	3,583	1,136
Change in investment properties	1	8	1	7
Change in other assets	-2,392	-8,009	-2,386	-8,008
Changes in operating liabilities				
Change in deposits by credit institutions	-9,209	6,876	-8,957	6,973
Change in deposits and borrowings from the public	-14,726	-5,042	-14,723	-5,037
Change in debt securities in issue	-5,065	-565	-5,065	-565
Change in other liabilities	1,491	228	1,487	188
Cash flow from operating activities	**8,536**	**-11,520**	**8,532**	**-11,513**
Investing activities				
Acquisition of business operations	0	-	-	-4
Sale of business operations	-	9	-	9
Dividends from associated companies	1	17	-	-
Acquisition of associated undertakings	0	-	-	-
Sale of associated undertakings	-	5	-	5
Acquisition of property and equipment	-38	-53	-40	-55
Sale of properties and equipment	8	6	4	0
Acquisition of intangible assets	-9	-21	-5	-10
Sale of intangible assets	2	1	2	1
Net divestments in debt securities, held to maturity	-	2,183	-	2,183
Purchase/sale of other financial fixed assets	25	2	25	3
Cash flow from investing activities	**-11**	**2,149**	**-14**	**2,132**
Financing activities				
Issued subordinated liabilities	8	191	8	191
Amortised subordinated liabilities	-	-	-	-
Dividend paid	-450	-750	-450	-750
Other changes	2,073	-34	2,070	-22
Cash flow from financing activities	**1,631**	**-593**	**1,628**	**-581**
Cash flow for the year	**10,156**	**-9,964**	**10,146**	**-9,962**
Cash and cash equivalents at the beginning of year	29,714	36,324	29,711	36,317
Translation difference	-	-3,354	-	-3,356
Cash and cash equivalents at the end of year	39,870	29,714	39,857	29,711
Change	**10,156**	**-9,964**	**10,146**	**-9,962**

Cash flow statement – Total operations *cont.*

Comments on the cash flow statement

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

Operating activities

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

	Group		Parent company	
EURm	2015	2014	2015	2014
Depreciation	28	36	25	33
Impairment charges	3	56	3	72
Loan losses	106	88	46	63
Unrealised gains/losses	1,079	51	1,080	52
Capital gains/losses (net)	-4	-10	-3	-9
Change in accruals and provisions	-200	66	-219	73
Translation differences	-1	-10	0	1
Other	-273	614	-257	552
Total	**738**	**891**	**675**	**837**

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

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

	Group		Parent company	
EURm	2015	2014	2015	2014
Interest payments received	1,558	2,006	1,295	1,754
Interest expenses paid	-488	-910	-488	-908

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

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents assets:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Cash and balances with central banks	32,613	28,846	32,613	28,846
Loans to credit institutions, payable on demand	7,257	868	7,244	865
	39,870	**29,714**	**39,857**	**29,711**

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.

Notes to the financial statements

Note 1 Accounting policies

Contents for Note 1

1. Basis for presentation

NBF's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions have also been applied.

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

On 26 February 2016 the Board of Directors approved the financial statements, subject to the final approval of the Annual General Meeting on 9 March 2016.

2. 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 new accounting requirements implemented during 2015 and their effects on Nordea's financial statements are described below.

The following new and amended standards and interpretations were implemented 1 January 2015 but have not had any significant impact on the financial statements of Nordea:

- 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".

3. Changes in IFRSs not yet applied

IFRS 9 "Financial Instruments"

IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted, but IFRS 9 is not yet endorsed by the EU commission. Nordea does not currently intend to early adopt the standard.

The changes in classification and measurement are not expected to have a significant impact on Nordea's income statement or balance sheet as the mixed measurement model will be maintained, and as there will still be a measurement category similar to the current Available For Sale (AFS) category in IAS 39. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected in the period of initial application, but this is naturally dependent on the financial instruments on Nordea's balance sheet at transition.

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. In general, it is expected that the new requirements will increase loan loss provisions, decrease equity and have a negative impact on capital adequacy, but no impact on large exposures, in the period of initial application. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as guarantees and loan commitments, to be included in the impairment test. Currently Nordea does not calculate collective provisions for off balance sheet exposures or the AFS portfolio.

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant deterioration in credit risk, stage 2 includes assets where there has been a significant deterioration and stage 3 includes assets that have been individually assessed to be impaired. In stage 1, the provisions should equal the 12-month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

Nordea’s current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the trigger event for moving items from stage 1 to stage 2 under IFRS 9. Currently Nordea does not, in addition, hold any provisions for assets where there has been no deterioration in credit risk. For assets where there has been a significant deterioration in credit risk, Nordea currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called “Emergence period” while IFRS 9 will require provisions equal to the lifetime expected loss. This means total provisions will increase when IFRS 9 is implemented.

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

Nordea has not yet finalised the impact assessment of the implementation of IFRS 9.

IFRS 15 “Revenue from Contracts with Customers”, amendments to IFRS 11 “Accounting for Acquisition of Interest in Joint Operations” and amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The IASB has published the new standard, IFRS 15 “Revenue from Contracts with Customers” as well as Amendments to IFRS 11 “Accounting for Acquisition of Interest in Joint Operations” and Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”. It is assessed that the new IFRS 15 standard and the amendments to IFRS 11, IFRS10 and IAS 28 will not have any impact on NBF’s financial statements, capital adequacy or large exposures in the period of initial application.

IAS 1

The IASB has amended IAS 1 as a result of the IASB’s disclosure initiative. The amendments in IAS 1 regards materiality, disaggregation and subtotals, note structure, disclosures of accounting policies and presentation of items of OCI arising from equity accounted investments. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are endorsed by the EU commission. Nordea does not intend to early adopt the amendments. The new requirements are not expected to have any effect on Nordea’s financial statements, capital adequacy, or large exposures in the period of initial application.

IFRS 16 “ Leases”

The IASB has published the new standard, IFRS 16 “Leases”. The new standard changes the accounting requirements for lessees. All leases (except for short contracts and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a liability. The lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments are not yet endorsed by the EU Commission. Nordea does not currently intend to early adopt the amendments. Nordea´s current assessment is that the new standard will change the accounting of property leases which mainly affects Nordea´s balance sheet.

Other changes in IFRS

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

- Amendments to IFRS 10, IFRS 12 and IAS 28: “Investment Entities: Applying the Consolidation Exception”,
- Amendments to IAS 16 and IAS 38: ”Clarification of Acceptable Methods of Depreciation and Amortisation”,
- Amendments to IAS 12: “Recognition of Deferred Tax Assets for Unrealised Losses”,
- “Annual Improvements to IFRSs, 2012-2014 Cycle”.

4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of 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 classification of leases
- the classification of Additional Tier 1 instruments
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 10 "Determination of fair value of financial instruments" and Note 39 "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 158,548m (190,120) and EUR 126,941m (174,016) 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 39 "Assets and liabilities at fair value".

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

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 13 "Loans to the public / credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. NBF's total lending before impairment allowances was EUR 134,491m (149,734) at the end of the year. For more information, see Note 13 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration.

Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges
Nordea's accounting policies for cash flow hedges are described in section 9 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Actuarial calculations of pension liabilities and plan assets related to employees
Nordea's accounting policy for post-employment benefits is described in section 18 "Employee benefits".

The defined benefit obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Finland, the discount rate is determined with reference to high quality corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note 31 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 871m (948) at the end of the year.

Classification of leases
Nordea's accounting policies for leases are described in section 14 "Leasing".

Critical judgement has to be exercised when classifying lease contracts. A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards related to ownership.

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

More information on lease contracts can be found in Note 21 "Leasing".

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

Assessing control for consolidation purposes
One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity. For more information see Note 45 "Interest in structured entities".

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

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

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 30 "Provisions" and Note 35 "Contingent liabilities".

5. Principles of consolidation

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

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

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

For each business combination NBF 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 NBF and are no longer consolidated as from the date on which control ceases.

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

Note 18 "Investments in group undertakings" lists the major group undertakings in the NBF Group.

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

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

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

Note 19 “Investments in associated undertakings” lists the major associated undertakings in the NBF Group.

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

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

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

Further information about consolidated and unconsolidated structured entities is disclosed in Note 45 “Interests in structured entities”.

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

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

6. Recognition of operating income and impairment

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

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

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

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

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

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

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

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

Realised and unrealised gains and losses derive from:

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

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

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

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

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

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

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

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

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

been transferred to the buyer (generally when the transactions are finalised).

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 12 “Financial instruments”), in the items “Loans to central banks”, “Loans to credit institutions” and “Loans to the public” on the balance sheet, are reported as ”Net loan losses” together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea’s accounting policies for the calculation of impairment losses on loans can be found in section 13 “Loans to the public/credit institutions”.

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

Impairment of securities held as financial non-current assets

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

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

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

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

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

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

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

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

For further information, see sections “Securities borrowing and lending agreements” and “Repurchase and reverse repurchase agreements” within section 12 “Financial instruments”, as well as Note 41 “Transferred assets and obtained collaterals”.

8. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. The functional currency of NBF is euro (EUR). 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 including foreign exchange trades, currently denominated cash balances and derivatives 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".

9. Hedge accounting

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

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

There are three forms of hedge accounting:

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

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

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

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

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

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

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

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

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

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

currency risk and the interest component as a fair value hedge of interest rate risk.

Hedge effectiveness

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to “Net result from items at fair value” in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

10. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item “Net result from items at fair value”.

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

If markets are active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed).

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives).

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note 39 “Assets and liabilities at fair value” provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2) and
- valuation technique using non-observable data (level 3).

The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by a Model Risk Management Committee and all models are reviewed on a regular basis.

For further information, see Note 39 “Assets and liabilities at fair value”.

11. Cash and balances with central banks

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

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

12. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Financial assets at fair value through profit or loss:
  – Held for trading
  – Designated at fair value through profit or loss (fair value option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:

- Financial liabilities at fair value through profit or loss:
  – Held for trading
  – Designated at fair value through profit or loss (fair value option)
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note 38 “Classification of financial instruments” the classification of the financial instruments on Nordea’s balance sheet into different categories is presented.

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

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

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

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

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are credit support annexes. Nordea also applies the fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/Financial liabilities at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 13 “Loans to the public/credit institutions”.

Held to maturity
Financial assets that Nordea has chosen to classify into the category Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held to maturity are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred the Held to maturity category is tainted, except for if the sale or transfer either occur close to maturity, after substantially all of the original principal is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as “Impairment of securities held as financial non-current assets” in the income statement. See section 13 “Loans to the public/credit institutions” for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

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

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

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

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

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

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

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.

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

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

13. Loans to the public/credit institutions

Financial instruments classified as “Loans to the public/credit institutions” (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 7 “Recognition and derecognition of financial instruments on the balance sheet” as well as Note 38 ”Classification of financial instruments”).

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

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and receivables and Held to maturity are recognised as “Impairment of securities held as non-current financial assets” in the income statement.

Impairment test of individually assessed loans
Nordea tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans
Loans not impaired on an individual basis are collectively tested for impairment.

These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called “Emergence period”. The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

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

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

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

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

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

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

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

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

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

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

14. Leasing

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

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

NBF as lessee
Finance leases
No leases in NBF have been classified as finance leases.

Operating leases
Operating leases are not recognised on NBF's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms normally range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

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

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

15. Intangible assets

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

IT-development/Computer software
Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development

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

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

Impairment
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 of disposal and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. 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. If the recoverable amount is less than the carrying amount, an impairment loss is recognised.

16. Properties and equipment

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

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

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

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

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

17. 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 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.

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 NBF 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 offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

18. 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 21 “Share-based payment”.

More information can be found in Note 8 “Staff costs”.

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability (“Retirement benefit liabilities”). If not, the net amount is recognised as an asset (“Retirement benefit assets”). Non-funded pension plans are recognised as “Retirement benefit liabilities”.

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

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea’s net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 31 “Retirement benefit obligations”).

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

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

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Finland the discount rate is determined with reference to corporate bonds.

Termination benefits

As mentioned above, termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months’ salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as “Salaries and remuneration” and post-employment benefits as “Pension costs” in Note 8 “Staff costs”.

19. Equity

Non-controlling interests

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

For each business combination, NBF measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Share premium reserve

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges, financial assets classified into the category Available for sale and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings

Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, NBF's share of the earnings in associated undertakings, after the acquisition date, that have not been distributed is included in retained earnings.

20. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Credit commitments".

21. 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 Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period. The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note 8 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note 8 "Staff costs".

22. Related party transactions

NBF 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, apart from loans granted to employees, see Note 8 "Staff costs".

Shareholders with significant influence
Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of NBF but do not control those policies. Nordea and its group companies are considered having such a power.

Group undertakings
For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the NBF Group is found in Note 18 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings
For the definition of associated undertakings see section 5 "Principles of consolidation".

Further information on the associated undertakings included in the NBF Group is found in Note 19 "Investments in associated undertakings".

Key management personnel
Key management personnel include the following positions:

- The Board of Directors of Nordea Bank Finland Plc and Nordea Bank AB (publ)
- The President of Nordea Bank Finland Plc and the deputy to the President
- The Group Executive Management (GEM).

For information about compensation, pensions and other transactions with key management personnel, see Note 8 "Staff costs".

Other related parties
Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in the NBF Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea Pension Foundation.

Information concerning transactions between NBF and other related parties is found in Note 43 "Related-party transactions".

Note 2 Segment reporting

Operating segments

Group

Measurement of Operating segments' performance
The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM). In NBF the CODM has been defined as Group Executive Management.

Basis of segmentation
Financial results are presented for the two main business areas Retail Banking and Wholesale Banking, with further breakdown on operating segments, and for the operating segment Group Corporate Centre. 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.

There have not been any changes to the basis of segmentation compared with the Annual Report 2014.

Reportable Operating segments
Retail Banking conducts a full service banking operation and offers a wide range of products. It is Nordea's largest customer area and serves household customers and corporate customers in the Nordic markets (Retail Banking Nordic) as well as the Baltic countries (Retail Banking Baltic). Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services, within asset allocation and fund sales. The division Shipping, Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor-made solutions and syndicated loan transactions. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas (allocated on Nordea Group level). Group Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the NBF Group. The main income in Group Corporate Centre originates from Group Treasury.

	Retail Banking		Wholesale Banking		Group Corporate Centre	
Income statement, EURm	2015	2014	2015	2014	2015	2014
Net interest income	812	851	218	287	32	47
Net fee and commission income	730	645	-276	-184	-8	-8
Net result from items at fair value	145	134	1 005	822	18	34
Profit from associated undertakings accounted for under the equity method	4	3	-	-	-	-
Other income	12	15	0	2	12	13
Total operating income	**1,703**	**1,648**	**947**	**927**	**54**	**86**
Staff costs	-332	-354	-116	-127	-60	-47
Other expenses	-363	-385	-73	-66	-5	-3
Depreciation, amortisation and impairment charges of tangible and intangible assets	-17	-23	-2	-4	-9	-6
Total operating expenses	**-712**	**-762**	**-191**	**-197**	**-74**	**-56**
Profit before loan losses	**991**	**886**	**756**	**730**	**-20**	**30**
Net loan losses	-103	-118	-11	-9	0	2
Operating profit	**888**	**768**	**745**	**721**	**-20**	**32**
Income tax expense	-	-	-	-	-	-
Net profit for the year	**888**	**768**	**745**	**721**	**-20**	**32**
Balance sheet, EURm						
Loans to the public	54,906	53,895	46,465	59,579	20	0
Deposits and borrowings from the public	34,246	33,455	22,874	37,043	4,462	5,955

Note 2 *Segment reporting, cont.*

Operating segments

Group

Income statement, EURm	Total operating segments 2015	Total operating segments 2014	Reconciliation 2015	Reconciliation 2014	**Total Group 2015**	**Total Group 2014**
Net interest income	1,062	1,185	-9	4	1,053	1,189
Net fee and commission income	446	453	-342	-378	104	75
Net result from items at fair value	1,168	990	89	-20	1,257	970
Profit from associated undertakings accounted for under the equity method	4	3	1	0	5	3
Other income	24	30	42	11	66	41
Total operating income	**2,704**	**2,661**	**-219**	**-383**	**2,485**	**2,278**
Staff costs	-508	-528	-39	-31	-547	-559
Other expenses	-441	-454	28	21	-413	-433
Depreciation, amortisation and impairment charges of tangible and intangible assets	-28	-33	-3	-59	-31	-92
Total operating expenses	**-977**	**-1,015**	**-14**	**-69**	**-991**	**-1,084**
Profit before loan losses	**1,727**	**1,646**	**-233**	**-452**	**1,494**	**1,194**
Net loan losses	-114	-125	22	65	-92	-60
Operating profit	**1,613**	**1,521**	**-211**	**-387**	**1,402**	**1,134**
Income tax expense	-	-	-347	-232	-347	-232
Net profit for the year	**1,613**	**1,521**	**-558**	**-619**	**1,055**	**902**
Balance sheet, EURm						
Loans to the public	101,391	113,474	55	275	101,447	113,748
Deposits and borrowings from the public	61,582	76,453	571	427	62,153	76,879

Break-down of Retail Banking

Income statement, EURm	Retail Banking Nordic[1] 2015	Retail Banking Nordic[1] 2014	Retail Banking Baltic[2] 2015	Retail Banking Baltic[2] 2014	Retail Banking Other[3] 2015	Retail Banking Other[3] 2014	**Total Retail Banking 2015**	**Total Retail Banking 2014**
Net interest income	769	770	40	70	3	11	812	851
Net fee and commission income	709	657	5	-11	17	0	730	645
Net result from items at fair value	144	117	0	15	1	2	145	134
Profit from associated undertakings accounted for under the equity method	-	-	-	-	3	2	4	3
Other income	3	19	2	4	6	-8	12	15
Total operating income	**1,625**	**1,563**	**47**	**78**	**30**	**7**	**1,703**	**1,648**
Staff costs	-246	-253	-6	-14	-80	-87	-332	-354
Other expenses	-454	-469	-4	-4	95	88	-363	-385
Depreciation, amortisation and impairment charges of tangible and intangible assets	-11	-10	0	-1	-5	-13	-17	-23
Total operating expenses	**-711**	**-732**	**-10**	**-19**	**10**	**-12**	**-712**	**-762**
Profit before loan losses	**914**	**831**	**37**	**59**	**40**	**-5**	**991**	**886**
Net loan losses	-88	-72	-9	-39	-6	-7	-103	-118
Operating profit	**826**	**759**	**28**	**20**	**34**	**-12**	**888**	**768**
Income tax expense	-	-	-	-	-	-	-	-
Net profit for the year	**826**	**759**	**28**	**20**	**34**	**-12**	**888**	**768**
Balance sheet, EURm								
Loans to the public	47,352	46,693	1,588	1,403	5,966	5,799	54,906	53,895
Deposits and borrowings from the public	34,243	33,437	0	12	3	6	34,246	33,455

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

[2] Retail Banking Baltic includes banking operations in Estonia, Latvia and Lithuania.

[3] Retail Banking Other includes the support areas Development & Projects, Distribution, Segments, Products and IT.

Note 2 *Segment reporting, cont.*

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2015	Corporate & Institutional Banking 2014	Shipping, Offshore & Oil Services 2015	Shipping, Offshore & Oil Services 2014
Net interest income	139	164	82	117
Net fee and commission income	112	154	14	29
Net result from items at fair value	62	58	9	11
Profit from associated undertakings accounted for under the equity method	-	-	-	-
Other income	0	0	-	-
Total operating income	**313**	**376**	**105**	**157**
Staff costs	-7	-7	-4	-6
Other expenses	-96	-105	-14	-19
Depreciation, amortisation and impairment charges of tangible and intangible assets	-	-	0	0
Total operating expenses	**-103**	**-112**	**-18**	**-25**
Profit before loan losses	**210**	**264**	**87**	**132**
Net loan losses	-21	-27	1	19
Operating profit	**189**	**237**	**88**	**151**
Income tax expense	-	-	-	-
Net profit for the year	**189**	**237**	**88**	**151**
Balance sheet, EURm				
Loans to the public	8,315	9,826	3,180	4,835
Deposits and borrowings from the public	12,590	10,307	822	2,202

Income statement, EURm	Capital Markets unallocated[5] 2015	Capital Markets unallocated[5] 2014	Wholesale Banking Other[4] 2015	Wholesale Banking Other[4] 2014	**Total Wholesale Banking 2015**	**Total Wholesale Banking 2014**
Net interest income	-6	2	3	4	218	287
Net fee and commission income	-419	-382	16	15	-276	-184
Net result from items at fair value	898	722	36	31	1 005	822
Profit from associated undertakings accounted for under the equity method	-	-	-	-	-	-
Other income	0	2	0	0	0	2
Total operating income	**473**	**344**	**55**	**50**	**947**	**927**
Staff costs	-78	-75	-26	-39	-116	-127
Other expenses	33	42	3	17	-73	-66
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	-3	-1	-1	-2	-4
Total operating expenses	**-45**	**-36**	**-24**	**-23**	**-191**	**-197**
Profit before loan losses	**428**	**308**	**31**	**27**	**756**	**730**
Net loan losses	-	-	9	-2	-11	-9
Operating profit	**428**	**308**	**40**	**25**	**745**	**721**
Income tax expense	-	-	-	-	-	-
Net profit for the year	**428**	**308**	**40**	**25**	**745**	**721**
Balance sheet, EURm						
Loans to the public	34,878	44,777	93	141	46,465	59,579
Deposits and borrowings from the public	9,462	24,285	0	249	22,874	37,043

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

[5] Allocation on Nordea Group level

Note 2 *Segment reporting, cont.*

Reconciliation between total operating segments and financial statements

	Total operating income		Operating profit		Loans to the public		Deposits and borrowings from the public	
EURm	2015	2014	2015	2014	2015	2014	2015	2014
Total Operating segments	2,704	2,661	1,613	1,521	101,391	113,474	61,582	76,453
Group functions[1]	-219	-383	-211	-387	63	282	573	429
Eliminations	0	0	-	-	-7	-8	-2	-3
Total	**2,485**	**2,278**	**1,402**	**1,134**	**101,447**	**113,748**	**62,153**	**76,879**

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

Group

Total operating income split on product groups

EURm	2015	2014
Banking products	1,605	1,725
Capital Markets products	829	542
Savings Products & Asset Management	1	-
Life & Pensions	50	11
Other	0	-
Total	**2,485**	**2,278**

Banking products consists of three different product types. Account products include account-based products, such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products include asset-based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers. Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial market place, 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 invests 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 Advice is a service provided to support the customers' investment decisions. Life & Pensions includes life insurance and pension products and services.

Group

Geographical information

	Total operating income		Assets	
EURm	2015	2014	2015	2014
Sweden	152	69	21,139	21,087
Finland	1,700	1,484	100,414	115,625
Norway	108	44	7,322	9,427
Denmark	281	278	118,254	145,439
Baltic countries	54	82	1,608	1,415
Singapore	50	53	2,649	2,672
United States	140	130	50,204	41,668
Other	-	138	-	8,865
Total	**2,485**	**2,278**	**301,590**	**346,198**

NBF's main geographical market comprises the Nordic countries. Revenues and assets are distributed to geographical areas based on the location of customer operations.

Note 3 Net interest income

EURm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Interest income				
Loans to credit institutions	81	128	96	156
Loans to the public	1,268	1,460	984	1,171
Interest-bearing securities	125	146	125	146
Other interest income	58	72	63	78
Interest income[1]	**1,532**	**1,806**	**1,268**	**1,551**

[1] Of which contingent leasing income amounts to EUR 26m (32). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases, there will be an offsetting impact from lower funding expenses.

EURm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Interest expense				
Deposits by credit institutions	-233	-250	-232	-248
Deposits and borrowings from the public	-82	-151	-82	-151
Debt securities in issue	-381	-408	-381	-408
Subordinated liabilities	-28	-23	-28	-23
Other interest expense[2]	245	215	245	215
Interest expense	**-479**	**-617**	**-478**	**-615**
Net interest income	**1,053**	**1,189**	**790**	**936**

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

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 1,407m (1,664) for the Group and EUR 1,142m (1,409) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR -725m (-834) for the Group and EUR -724m (-833) for the parent company.

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

Note 4 Net fee and commission income

EURm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Asset Management commissions	86	69	86	69
Life insurance	10	9	10	10
Brokerage, securities issues and corporate finance	77	75	77	75
Custody and issuer services	24	28	24	28
Deposits	1	5	1	5
Total savings and investments	**198**	**186**	**198**	**187**
Payments	198	198	200	200
Cards	128	128	94	92
Total payments and cards	**326**	**326**	**294**	**292**
Lending	96	129	95	126
Guarantees and documentary payments	106	120	106	120
Total lending related to commissions	**202**	**249**	**201**	**246**
Other commission income	33	33	33	32
Fee and commission income	**759**	**794**	**726**	**757**
Savings and investments	-382	-360	-382	-360
Payments	-13	-11	-10	-9
Cards	-59	-58	-58	-56
Other commission expenses[1]	-201	-290	-198	-287
Fee and commission expenses	**-655**	**-719**	**-648**	**-712**
Net fee and commission income	**104**	**75**	**78**	**45**

[1] Mainly consists of guarantee commission fee paid to Nordea Bank AB (publ) and in 2014 also Finnish bank tax

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 97m (134) for the Group and EUR 97m (131) for the parent company.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounted to EUR 172m (153) for the Group and EUR 172m (153) for the parent company.

Note 5 Net result from items at fair value

	Group		Parent company	
EURm	2015	2014	2015	2014
Equity-related instruments	163	342	163	342
Interest-related instruments and foreign exchange gains/losses	1,039	235	1,036	231
Other financial instruments (including credit and commodities)	57	406	57	406
Investment properties	-2	-13	-2	-4
Total	**1,257**	**970**	**1,254**	**975**

Net result from categories of financial instruments

	Group		Parent company	
EURm	2015	2014	2015	2014
Available for sale assets, realised	29	21	29	21
Financial instruments designated at fair value through profit or loss	85	159	85	158
Financial instruments held for trading[1]	336	1,313	336	1,313
Financial instruments under fair value hedge accounting	-6	4	-6	4
- of which net result on hedging instruments	-142	179	-142	179
- of which net result on hedged items	136	-174	136	-174
Financial assets measured at amortised cost[2]	2	6	2	6
Foreign exchange gains/losses excl. currency hedges	815	-518	812	-521
Other	-4	-15	-4	-6
Total	**1,257**	**970**	**1,254**	**975**

[1] Of which amortised deferred day one profits amounted to EUR 0m for 2015 (-3) both for the Group and the parent company.

[2] Of which EUR 2m (6) related to instruments classified into the category "Loans and receivables" and EUR 0m (-) related to instruments classified into the category "Held to maturity".

Note 6 Dividends

	Group		Parent company	
EURm	2015	2014	2015	2014
Investments in group undertakings	-	-	100	100
Investments in associated undertakings	-	-	1	17
Total	**-**	**-**	**101**	**117**

Note 7 Other operating income

	Group		Parent company	
EURm	2015	2014	2015	2014
Divestment of shares	-	9	-	9
Income from real estate	1	6	1	1
Sale of tangible and intangible assets	4	2	3	0
Other	61	24	61	19
Total	**66**	**41**	**65**	**29**

Note 8 Staff costs

	Group		Parent company	
EURm	2015	2014	2015	2014
Salaries and remuneration	-413	-420	-391	-394
Pension costs (specification below)	-67	-62	-64	-58
Social security contributions	-25	-35	-23	-33
Allocation to profit-sharing foundation[1]	-20	-19	-18	-18
Other staff costs	-22	-23	-20	-22
Total	**-547**	**-559**	**-516**	**-525**

[1] Allocation to profit-sharing 2015 EUR 20m (19) in the Group and EUR 18m (18) in the parent company consisting of a new allocation of EUR 19m (18) in the Group and EUR 18m (17) in the parent company and an adjustment related to prior years of EUR 1m (1) in the Group and EUR 0m (1) in the parent company.

	Group		Parent company	
	2015	2014	2015	2014
Pension costs:				
Defined benefit plans (Note 31)	-2	1	-1	1
Defined contribution plans	-65	-63	-63	-59
Total	**-67**	**-62**	**-64**	**-58**

Additional disclosures on remuneration under Nordic FSAs' regulation and general guidelines (including EU Commission Regulation 604/2014)
The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Director's Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting on 9 March 2016.

Compensation etc. to the Board of Directors, President and his deputy
As at 31 December 2015, the members of the Board of Directors of Nordea Bank Finland Plc, were members of the Nordea Bank AB (publ) Group Executive Management except for the external member Carl-Johan Granvik. The monthly fee for the external Board member was 1,250 euros, totalling 15,000 euros in 2015 (15,000). The monthly fee for committee work for Carl-Johan Granvik was 1,000 euros, totalling 12,000 euros in 2015 (6,000). In 2015, Nordea Bank AB (publ) has paid all salaries, fees, pension- and other staff-related expenses to the other members of the Board. Nordea Bank AB (publ) has allocated these salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation expenses. Salaries, fees, pensions and other staff-related expenses paid to the President, his deputy and former President in 2015 are presented below.

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

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

EUR	Fixed salary 2015	GEM Executive Incentive Programme 2015	Long Term Incentive Programme 2015	Benefits 2015	**Total 2015**
President of NBF:					
Ari Kaperi 1 Jan - 31 Aug (employed by Nordea Bank AB (publ))	447,741	320,551	119,160	11,132	**898,583**
Topi Manner 1 Sep - 31 Dec	128,353	10,107	120,825	5,390	**264,675**
Deputy to the President of NBF:					
Topi Manner 1 Jan - 31 Aug	260,990	120,907	90,619	10,330	**482,846**
Jukka Perttula 1 Sep - 31 Dec	86,717	92,841	57,173	3,980	**240,712**

There was no pension obligation for the President of Nordea Bank Finland Plc at the yearend. The pension obligation for Carl-Johan Granvik amounted to EUR 3,876,791 and for Jukka Perttula to EUR 2,473,674. The pension obligation for Carl-Johan Granvik is included in the pension obligations of Nordea Bank AB (publ) and for Jukka Perttula in the pension obligations of Nordea Bank Finland Plc.

Pension obligation for the former Presidents and Deputies of the President of Nordea Bank Finland Plc amounted to EUR 7,466,539 of which EUR 4,110,340 is included in the pension obligations of Nordea Bank AB (publ).

Note 8 *Staff costs, cont.*

Loans granted to the President of Nordea Bank Finland Plc, his deputy and members of the Board of Directors of Nordea Bank Finland Plc

EUR	Loans granted by NBF 2015	Paid interest 2015	Loans granted by NBF 2014	Paid interest 2014
President of NBF:				
Topi Manner	569,765	4,415	603,633	5,286
Deputy to the President of NBF:				
Jukka Perttula	1,188,764	-		
To members of the Board of Directors of NBF	372,876	8,524	397,884	8,932
Total	**2,131,405**	**12,939**	**1,001,517**	**14,218**

EUR	Loans granted by NBF Group 2015	Paid interest 2015	Loans granted by NBF Group 2014	Paid interest 2014
President of NBF:				
Topi Manner	570,780	4,415	604,318	5,286
Deputy to the President of NBF:				
Jukka Perttula	1,190,097	-	-	-
To members of the Board of Directors of NBF	375,969	8,524	400,943	8,932
Total	**2,136,846**	**12,939**	**1,005,261**	**14,218**

Loans to key management personnel as defined in Note 1 section 22 amounted to EUR 2,314,364 (1,220,038) in the Group and EUR 2,294,962 (1,181,727) in the parent company. Interest income on these loans amounted to EUR 15,389 (27,271) in the Group and EUR 15,389 (27,270) in the parent company.

Terms and conditions regarding loans for key management personnel employed by Nordea are decided in accordance with instructions issued by the Board of Directors of NBF. In Finland the employee interest rate for loans granted before 1 September 2014 corresponds to Nordea's funding cost with a margin of 10 basis points up to EUR 400,000, and 30 basis points on the part that exceeds EUR 400,000. Interest rate for loans granted as from 1 September 2014 corresponds to Nordea's funding cost with a margin of 40 basis points up to EUR 400,000, and 60 basis points on the part that exceeds EUR 400,000.

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

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

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

Long Term Incentive Programmes
Group

	2015			2014		
Conditional Rights LTIP 2012	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	205,120	492,358	205,120	211,263	508,636	211,263
Granted[1]	10,527	25,305	10,527	8,991	21,580	8,991
Transfer during the year	-5,854	-11,708	-5,854	-9,377	-26,344	-9,377
Forfeited	-12,181	-36,012	-12,181	-5,757	-11,514	-5,757
Allotted	-160,239	-357,821	-160,239	-	-	-
Outstanding at end of year	**37,374**	**112,122**	**37,374**	**205,120**	**492,358**	**205,120**
- of which currently exercisable	-	-	-	-	-	-

Parent company

	2015			2014		
Conditional Rights LTIP 2012	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	199,606	477,925	199,606	205,991	494,835	205,991
Granted[1]	10,231	24,531	10,231	8,749	20,947	8,749
Transfer during the year	-5,854	-11,708	-5,854	-9,377	-26,344	-9,377
Forfeited	-11,799	-34,873	-11,799	-5,757	-11,514	-5,757
Allotted	-156,739	-349,536	-156,739	-	-	-
Outstanding at end of year	**35,446**	**106,339**	**35,446**	**199,606**	**477,925**	**199,606**
- of which currently exercisable	-	-	-	-	-	-

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

Long Term Incentive Programmes

Group

	2015			2014		
Rights LTIP 2011	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	26,823	44,818	12,070	147,709	295,418	147,709
Granted[1]	1,443	2,412	649	6,161	12,323	6,161
Transfer during the year	-	-	-	-6,121	-12,242	-6,121
Forfeited	-	-	-	-2,251	-52,398	-82,275
Allotted	-7,637	-12,760	-3,437	-118,675	-198,282	-53,404
Outstanding at end of year	**20,629**	**34,470**	**9,282**	**26,823**	**44,818**	**12,070**
- of which currently exercisable	-	-	-	-	-	-

Parent company

	2015			2014		
Rights LTIP 2011	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	25,370	42,388	11,416	144,054	288,107	144,054
Granted[1]	1,365	2,281	614	6,000	12,000	6,000
Transfer during the year	-	-	-	-6,121	-12,242	-6,121
Forfeited	-	-	-	-2,246	-51,134	-80,174
Allotted	-7,331	-12,248	-3,299	-116,317	-194,343	-52,343
Outstanding at end of year	**19,404**	**32,421**	**8,731**	**25,370**	**42,388**	**11,416**
- of which currently exercisable	-	-	-	-	-	-

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

Group

	2015			2014		
Rights LTIP 2010	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	15,345	16,213	6,905	23,955	25,310	10,780
Transfer during the year	-	-	-	-2,959	-3,126	-1,332
Forfeited	-	-	-	-	-	-2,543
Allotted	-5,480	-5,789	-2,465	-5,651	-5,971	-
Outstanding at end of year	**9,865**	**10,424**	**4,440**	**15,345**	**16,213**	**6,905**
- of which currently exercisable	-	-	-	-	-	-

Parent company

	2015			2014		
Rights LTIP 2010	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of year	15,345	16,213	6,905	23,955	25,310	10,780
Transfer during the year	-	-	-	-2,959	-3,126	-1,332
Allotted	-5,480	-5,789	-2,465	-5,651	-5,971	-2,543
Outstanding at end of year	**9,865**	**10,424**	**4,440**	**15,345**	**16,213**	**6,905**
- of which currently exercisable	-	-	-	-	-	-

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

	LTIP 2012			LTIP 2011		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00	1.00	1.00	1.00
Exercise price, EUR	-	-	-	-	-	-
Grant date	13 May 2012	13 May 2012	13 May 2012	13 May 2011	13 May 2011	13 May 2011
Vesting period, months	36	36	36	36	36	36
Contractual life, months	36	36	36	36	36	36
Allotment	April/May 2015	April/May 2015	April/'May 2015	April/May 2014	April/May 2014	April/May 2014
Fair value at grant date, EUR[1]	5.78	5.78	2.09	7.23	7.25	2.63

[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.

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

When the performance conditions are not fulfilled in full, the rights that are no longer exercisable are shown as forfeited in the previous tables, together with shares forfeited due to participants leaving the Nordea Group. LTIP 2012/2011/2010 are not allotted in full due to deferral and retention requirements by the Nordic FSAs.

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

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

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

As the exercise price (zero for LTIP 2012 and LTIP 2011) is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest.

The value of the Performance Share II is based on market related conditions and fulfilment of the TSR, RAROCAR and P/B targets have been taken into consideration when calculating the right's fair value at grant. When calculating the impact from the market conditions it has been assumed that all possible outcomes have equal possibilities. Also the caps in each programme have been taken into consideration when calculating the rights' fair value at grant. The adjustment to fair value is approximately 2-3% of the weighted average share price.

Expenses for equity-settled share-based payment programmes[1]

Group

EURm	LTIP 2012	LTIP 2011
Total expense during 2015	-0,5	0,0
Total expense during 2014	-2,2	-0,3

Parent company

EURm	LTIP 2012	LTIP 2011
Total expense during 2015	-0,4	0,0
Total expense during 2014	-2,1	-0,3

[1] All amounts excluding social security contribution.

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 transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea introduced in 2013 the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have a direct impact on Nordea's result, profitability and long term value growth. EIP rewards performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2015 is paid no earlier than autumn 2018. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Annual Report of Nordea Bank AB (publ)), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2015 was decided during spring 2016, and a reservation of EUR 7m excl. social costs was made in 2015 both in the Group and parent company. 80% of the allocated amount will be subject to TSR-indexation.

The table below only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2015, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals			
	Group		Parent company	
EURm	2015	2014	2015	2014
Opening balance	4	4	4	4
Reclassifications[1]	3	0	3	-
Deferred/earned during the year	9	2	8	2
TSR indexation during the year	0	1	0	1
Payments during the year[2]	-4	-3	-4	-3
Translation differences	0	0	0	0
Closing balance	**11**	**4**	**11**	**4**

[1] Relates to a reclassification from deferred amounts that are indexed with a fixed rate.
[2] There have been no adjustments due to forfeitures.

Note 8 *Staff costs, cont.*

Average number of employees

	Group		Parent company	
	2015	2014	2015	2014
Full-time employees	6,760	7,258	6,227	6,712
Part-time employees	525	544	487	505
Total	**7,285**	**7 802**	**6,714**	**7 217**
Total number of employees (FTEs), end of period	**6,595**	**6,653**	**6,088**	**6,130**

Note 9 Other expenses

	Group		Parent company	
EURm	2015	2014	2015	2014
Information technology	-183	-196	-179	-190
Marketing and representation	-17	-22	-15	-20
Postage, transportation, telephone and office expenses	-33	-38	-27	-33
Rents, premises and real estate	-74	-89	-74	-82
Other	-106	-88	-94	-85
Total	**-413**	**-433**	**-389**	**-410**

Auditors' fees

	Group	Parent company
EURm	2015	2015
PricewaterhouseCoopers		
Auditing assignments	-1	0
Audit-related services	0	0
Tax advisory services	0	0
Other assignments	0	0
Total	**-1**	**-1**

	Group		Parent company	
EURm	2015	2014	2015	2014
KPMG				
Auditing assignments	0	-1	0	-1
Audit-related services	0	0	0	0
Tax advisory services	0	0	0	0
Other assignments	0	0	0	0
Total	**0**	**-1**	**0**	**-1**
Total of auditors' fees	**-1**	**-1**	**-1**	**-1**

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

	Group		Parent company	
EURm	2015	2014	2015	2014
Depreciation/amortisation				
Properties and equipment	-22	-21	-21	-19
Intangible assets (Note 20)	-6	-15	-4	-13
Total	**-28**	**-36**	**-25**	**-32**
Impairment charges				
Intangible assets (Note 20)	-3	-56	-3	-56
Total	**-3**	**-56**	**-3**	**-56**
Total	**-31**	**-92**	**-28**	**-88**

Note 11 Net loan losses

EURm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Loan losses divided by class				
Realised loan losses	-	-2	-	-2
Allowances to cover realised loan losses	-	2	-	2
Recoveries on previous realised loan losses	0	0	0	0
Provisions	-	0	-	0
Reversals of previous provisions	0	22	0	22
Loans to credit institutions[1]	**0**	**22**	**0**	**22**
Realised loan losses	-129	-114	-96	-77
Allowances to cover realised loan losses	96	127	90	120
Recoveries on previous realised loan losses	14	28	4	9
Provisions	-184	-223	-141	-213
Reversals of previous provisions	95	101	85	86
Loans to the public[1]	**-108**	**-81**	**-58**	**-75**
Realised loan losses	-	-	-	-
Allowances to cover realised loan losses	-	-	-	-
Recoveries on previous realised loan losses	-	-	-	-
Provisions	3	-14	3	-14
Reversals of previous provisions	13	13	13	13
Off-balance sheet items[2]	**16**	**-1**	**16**	**-1**
Net loan losses	**-92**	**-60**	**-42**	**-54**

[1] See Note 13 Loans and impairment

[2] Included in Note 30 Provisions as "Transfer risk, off-balance" and "Individually assessed guarantees and other commitments".

Key ratios

	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Loan loss ratio, basis points[3]	9	5	4	5
- of which individual	9	4	7	3
- of which collective	0	2	-3	2

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

Nordea Bank AB (publ) has guaranteed part of NBF's corporate exposures and based on the agreement NBF's loan losses decreased EUR 22m in 2015 and EUR 66m in 2014.

Note 12 Taxes

Income tax expense

EURm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Current tax	-339	-253	-300	-214
Deferred tax	-8	21	-11	26
Bank tax in Finland[1]				
Total	**-347**	**-232**	**-311**	**-188**

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

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

Note 12 *Taxes, cont.*

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

	Group		Parent company	
EURm	2015	2014	2015	2014
Profit before tax	1,402	1,134	1,313	1,009
Tax calculated at a tax rate of 20%	-281	-227	-262	-202
Other direct taxes	0	0	-	-
Tax-exempt income	2	10	19	24
Non-deductible expenses	-1	-20	-1	-15
Adjustments relating to prior years	-24	5	-24	5
Not creditable foreign taxes in foreign operations	-43	-	-43	-
Tax charge	**-347**	**-232**	**-311**	**-188**
Average effective tax rate	25 %	20%	24 %	19%

Group

	Deferred tax assets		Deferred tax liabilities	
EURm	2015	2014	2015	2014
Deferred tax related to:				
Loans to the public	22	20	54	57
Financial instruments	-	-	11	11
Properties and equipment	2	2	-	-
Retirement benefit assets/obligations	-	21	12	-
Liabilities/provisions	13	11	-	-
Netting between deferred tax assets and liabilities	-23	-11	-23	-11
Total	**14**	**43**	**54**	**57**

Parent company	Deferred tax assets		Deferred tax liabilities	
EURm	2015	2014	2015	2014
Deferred tax related to:				
Loans to the public	19	18	-	-
Financial instruments	-	1	11	11
Properties and equipment	2	2	-	-
Retirement benefit assets/obligations	-	21	11	-
Liabilities/provisions	13	10	-	-
Netting between deferred tax assets and liabilities	-22	-11	-22	-11
Total	**12**	**41**	**0**	**0**

There were no unrecognised deferred tax assets in the Group or in the parent company in 2015 or 2014.

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

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

Note 13 Loans and impairment

	Total			
	Group		Parent company	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	132,990	148,254	131,902	147,107
Impaired loans	1,501	1,480	1,330	1,188
- performing	646	823	619	653
- non-performing	855	657	711	535
Loans before allowances	**134,491**	**149,734**	**133,232**	**148,295**
Allowances for individually assessed impaired loans	-523	-516	-471	-464
- performing	-277	-323	-275	-274
- non-performing	-246	-193	-196	-190
Allowances for collectively assessed impaired loans	-104	-119	-62	-101
Allowances	**-627**	**-635**	**-533**	**-565**
Loans, carrying amount	**133,864**	**149,099**	**132,699**	**147,730**

	Central banks and credit institutions			
	Group		Parent company	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	32,417	35,351	38,636	41,091
Impaired loans	-	0	-	0
- performing	-	-	-	-
- non-performing	-	0	-	0
Loans before allowances	**32,417**	**35,351**	**38,636**	**41,091**
Allowances for individually assessed impaired loans	-	-	-	-
- performing	-	-	-	-
- non-performing	-	-	-	-
Allowances for collectively assessed impaired loans	-	0	-	0
Allowances	**-**	**0**	**-**	**0**
Loans, carrying amount	**32,417**	**35,351**	**38,636**	**41,091**

	The public[1]			
	Group		Parent company	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	100,573	112,903	93,266	106,016
Impaired loans	1,501	1,480	1,330	1,188
- Performing	646	823	619	653
- Non-performing	855	657	711	535
Loans before allowances	**102,074**	**114,383**	**94,596**	**107,204**
Allowances for individually assessed impaired loans	-523	-516	-471	-464
- Performing	-277	-323	-275	-274
- Non-performing	-246	-193	-196	-190
Allowances for collectively assessed impaired loans	-104	-119	-62	-101
Allowances	**-627**	**-635**	**-533**	**-565**
Loans, carrying amount	**101,447**	**113,748**	**94,063**	**106,639**

[1] Finance leases, where the Nordea Group is a lessor, are included in Loans to the public, see Note 21 Leasing.

Movements of allowance accounts for impaired loans[2]

Total

	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2015	**-516**	**-119**	**-635**	**-464**	**-101**	**-565**
Provisions	-116	-68	-184	-102	-39	-141
Reversals of previous provisions	33	62	95	28	57	85
Changes through the income statement	**-83**	**-6**	**-89**	**-74**	**18**	**-56**
Allowances used to cover realised loan losses	96	-	96	89	-	89
Translation differences	-20	21	1	-22	21	-1
Closing balance at 31 Dec 2015	**-523**	**-104**	**-627**	**-471**	**-62**	**-533**
Opening balance at 1 Jan 2014	**-714**	**-125**	**-839**	**-644**	**-107**	**-751**
Provisions	-170	-53	-223	-163	-50	-213
Reversals of previous provisions	89	34	123	78	31	109
Changes through the income statement	**-81**	**-19**	**-100**	**-85**	**-19**	**-104**
Allowances used to cover realised loan losses	129	-	129	122	-	122
Translation differences	150	25	175	143	25	168
Closing balance at 31 Dec 2014	**-516**	**-119**	**-635**	**-464**	**-101**	**-565**

Central banks and credit institutions

	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2015	**-**	**0**	**0**	**-**	**0**	**0**
Provisions	-	-	-	-	-	-
Reversals of previous provisions	-	0	0	-	0	0
Changes through the income statement	**-**	**0**	**0**	**-**	**0**	**0**
Allowances used to cover realised loan losses	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2015	**-**	**0**	**0**	**-**	**0**	**0**
Opening balance at 1 Jan 2014	**-25**	**0**	**-25**	**-25**	**0**	**-25**
Provisions	-	0	0	-	0	0
Reversals of previous provisions	23	0	23	23	0	23
Changes through the income statement	**23**	**0**	**23**	**23**	**0**	**23**
Allowances used to cover realised loan losses	2	-	2	2	-	2
Translation differences	-	-	-	-	-	-
Closing balance at 31 Dec 2014	**0**	**0**	**0**	**0**	**0**	**0**

The public

	Group			Parent company		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2015	**-516**	**-119**	**-635**	**-464**	**-101**	**-565**
Provisions	-116	-68	-184	-102	-39	-141
Reversals of previous provisions	33	62	95	28	57	85
Changes through the income statement	**-83**	**-6**	**-89**	**-74**	**18**	**-56**
Allowances used to cover realised loan losses	96	-	96	89	-	89
Translation differences	-20	21	1	-22	21	-1
Closing balance at 31 Dec 2015	**-523**	**-104**	**-627**	**-471**	**-62**	**-533**
Opening balance at 1 Jan 2014	**-689**	**-125**	**-814**	**-619**	**-107**	**-726**
Provisions	-170	-53	-223	-163	-50	-213
Reversals of previous provisions	66	34	100	55	31	86
Changes through the income statement	**-104**	**-19**	**-123**	**-108**	**-19**	**-127**
Allowances used to cover realised loan losses	127	-	127	120	-	120
Translation differences	150	25	175	143	25	168
Closing balance at 31 Dec 2014	**-516**	**-119**	**-635**	**-464**	**-101**	**-565**

[2] See Note 11 Net loan losses

Allowances and provisions

	Total			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Allowances for items in the balance sheet	-627	-635	-533	-565
Provisions for off balance sheet items[1]	-15	-31	-15	-31
Total allowances and provisions	**-642**	**-666**	**-548**	**-596**

	Central banks and credit institutions			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Allowances for items in the balance sheet	-	0	-	0
Provisions for off balance sheet items[1]	-	-7	-	-7
Total allowances and provisions	**-**	**-7**	**-**	**-7**

	The public			
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Allowances for items in the balance sheet	-627	-635	-533	-565
Provisions for off balance sheet items[1]	-15	-24	-15	-24
Total allowances and provisions	**-642**	**-659**	**-548**	**-589**

[1] Included in Note 30 "Provisions" as "Individually assessed guarantees and other commitments".

Key ratios

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2015	2014	2015	2014
Impairment rate, gross[2], basis points	112	99	100	80
Impairment rate, net[3], basis points	73	64	64	49
Total allowance rate[4], basis points	47	42	40	38
Allowances in relation to impaired loans[5], %	35	35	35	39
Total allowances in relation to impaired loans[6], %	42	43	40	48
Non-performing loans, not impaired[7], EURm	95	28	57	20

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

Note 14 Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
State and sovereigns	9,237	13,991	9,237	13,991
Municipalities and other public bodies	188	165	188	165
Mortgage institutions	8,939	8,455	8,939	8,455
Other credit institutions	10,054	9,924	10,054	9,924
Corporates	1,111	1,388	1,111	1,388
Corporates, sub-investment grade	614	720	614	720
Other	0	-	0	-
Total	**30,143**	**34,643**	**30,143**	**34,643**

Note 15 Financial instruments pledged as collateral

Financial instruments pledged as collateral
In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial instruments pledged as collateral.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Interest-bearing securities	4,627	11,058	4,627	11,058
Total	**4,627**	**11,058**	**4,627**	**11,058**

For information on transferred assets and reverse repos, see Note 41.

Note 16 Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Shares	1,426	1,215	1,425	1,215
Shares taken over for protection of claims	0	-	0	-
Fund units, equity related	591	688	591	687
Fund units, interest related	3	15	3	15
Total	**2,020**	**1,918**	**2,019**	**1,917**
- of which Financial instruments pledged as collateral (Note 15)	-	-	-	-
Total	**2,020**	**1,918**	**2,019**	**1,917**

Note 17 Derivatives and hedge accounting

31 Dec 2015, EURm	Group Fair value[1] Positive	Group Fair value[1] Negative	Group Total nominal amount	Parent company Fair value[1] Positive	Parent company Fair value[1] Negative	Parent company Total nominal amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	48,585	46,118	4,456,279	48,585	46,118	4,456,279
Futures and forwards	226	291	1,541,648	226	291	1,541,648
Options	10,937	10,333	433,045	10,937	10,333	433,045
Other	12	52	5,349	12	52	5,349
Total	**59,760**	**56,794**	**6,436,321**	**59,760**	**56,794**	**6,436,321**
Equity derivatives						
Equity swaps	238	255	13,063	238	255	13,063
Futures and forwards	11	9	865	11	9	865
Options	461	739	23,804	461	739	23,804
Total	**710**	**1,003**	**37,732**	**710**	**1,003**	**37,732**
Foreign exchange derivatives						
Currency and interest rate swaps	15,233	22,134	909,849	15,233	22,134	909,849
Currency forwards	1,434	813	83,379	1,434	813	83,379
Options	266	208	28,000	266	208	28,000
Total	**16,933**	**23,155**	**1,021,228**	**16,933**	**23,155**	**1,021,228**
Credit derivatives						
Credit default swaps (CDS)	2,305	2,293	92,726	2,305	2,293	92,726
Total	**2,305**	**2,293**	**92,726**	**2,305**	**2,293**	**92,726**
Commodity derivatives						
Swaps	16	13	159	16	13	159
Futures and forwards	0	-	25	0	-	25
Options	1	0	303	1	0	303
Total	**17**	**13**	**487**	**17**	**13**	**487**
Other derivatives						
Options	15	14	1,379	15	14	1,379
Other	5	10	15	5	10	15
Total	**20**	**24**	**1,394**	**20**	**24**	**1,394**
Total derivatives held for trading	**79,745**	**83,282**	**7,589,888**	**79,745**	**83,282**	**7,589,888**
Derivatives used for hedge accounting						
Interest rate derivatives	733	250	29,920	733	250	29,920
Foreign exchange derivatives	79	6	400	79	6	400
Total derivatives used for hedge accounting	**812**	**256**	**30,320**	**812**	**256**	**30,320**
- of which cash flow hedges	30	6	400	30	6	400
- of which fair value hedges	782	250	29,920	782	250	29,920
Total derivatives	**80,557**	**83,538**	**7,620,208**	**80,557**	**83,538**	**7,620,208**

[1] As at 31 Dec 2015 the netting effect to positive and negative market values of derivatives was EUR 127,466m.

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

Group

31 Dec 2015, EURm	<1 year	1-3 years	3-5 years	5-10 years	Over 10 years
Cash inflows (assets)	-	-	-	-	-
Cash outflows (liabilities)	-	8	-	116	276
Net cash outflows	**-**	**8**	**-**	**116**	**276**

Note 17 *Derivatives and hedge accounting, cont.*

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

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

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

Group

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

Note 18 Investments in group undertakings

Parent company

EURm	31 Dec 2015	31 Dec 2014
Acquisition value at beginning of year	324	376
Acquisitions during the year	-	4
Sales during the year	-	-55
Translation differences	1	-1
Acquisition value at end of year	**325**	**324**
Accumulated impairment charges at beginning of year	-16	-
Impairment charges during the year	-	-16
Translation differences	-	-
Accumulated impairment charges at end of year	**-16**	**-16**
Total	**309**	**308**

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

Group

31 Dec 2015	Number of shares	Carrying amount 2015 EURm	Carrying amount 2014 EURm	Voting power of holding, %	Domicile	Business ID
Domestic						
Credit institutions						
- Nordea Finance Finland Ltd	1,000,000	306	306	100.0	Helsinki	0112305-3
Financial institutions						
- Tukirahoitus Oy[1]	672	7	7	100.0	Espoo	0677131-6
Real estate companies						
- Kiinteistö Oy Tampereen Kirkkokatu 7[1]	280	50	50	100.0	Tampere	0819781-3
- Kiinteistö Oy Levytie 6[1]	67	4	5	100.0	Helsinki	2557073-9
- Kiinteistö Oy Tulppatie 7[1]	80	6	7	100.0	Helsinki	2557075-5
International						
Financial institutions						
- Nordea Finance Estonia Ltd[1]	60,000	6	6	100.0	Tallinn	EE100212426
- Nordea Finance Latvia Ltd[1]	1,100	4	4	100.0	Riga	LV40003348054
- Nordea Finance Lithuania Ltd[1]	6,540	4	4	100.0	Vilnius	LT111667277
- Nordea Securities Holding (U.K.) Ltd	49,010,000	2	2	100.0	London	01803666

Other subsidiaries included in the consolidated financial statements; total assets of less than EUR 10m	Number of companies	Carrying amount of shares, EURm	Total assets EURm
Real estate companies	6	10	18
Other companies	5	0	70

[1] Indirect holding through Nordea Finance Finland Ltd, a subsidiary of Nordea Bank Finland Plc.

The parent company of Nordea Bank Finland Plc is Nordea Bank AB (publ) domiciled in Stockholm, registration number 516406-0120. The Annual Report 2015 of Nordea Bank AB (publ) may be downloaded on the Internet at www.nordea.com and is available from Nordea Group Investor Relations, SE 105 71 Stockholm, Sweden. The Annual Report 2015 of the Nordea Group is also available at branches of Nordea Bank Finland Plc.

No subsidiaries were acquired, sold, merged or dissolved in 2015.

Note 19 Investments in associated undertakings

EURm	Group 31 Dec 2015	Group 31 Dec 2014	Parent company 31 Dec 2015	Parent company 31 Dec 2014
Acquisition value at beginning of year	41	61	37	43
Acquisitions during the year	0	0	-	-
Sales during the year	-	-6	-	-6
Share in earnings	4	3	-	-
Dividend received	-1	-17	-	-
Reclassifications	0	-	-	-
Translation differences	-	-	-	-
Acquisition value at end of year	**44**	**41**	**37**	**37**
Accumulated impairment charges at beginning of year	-2	-2	-9	-9
Reversed impairment charges during the year	-	-	-	-
Impairment charges during the year	-	-	-	-
Reclassifications	-	-	-	-
Translation differences	0	0	-	-
Accumulated impairment charges at end of year	**-2**	**-2**	**-9**	**-9**
Total	**42**	**39**	**28**	**28**

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

EURm	31 Dec 2015	31 Dec 2014
Total assets	174	173
Net profit	4	2
Other comprehensive income	0	0
Total comprehensive income	4	2

Nordea Bank Finland Plc's and Nordea Bank Finland Group's share of contingent liabilities and commitments in favour of associated undertakings of Nordea Bank Finland Group amounts to EUR 23m (32), of which the unused portion of approved overdraft facilities is 3m (32).

Group

31 Dec 2015	Business ID	Domicile	Carrying amount 2015, EURm	Carrying amount 2014, EURm	Voting power of holding %
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	9	7	33.3
NF Fleet Oy	2006935-5	Espoo	6	5	20.0
UAB ALD Automotive, Lithuania	300156575	Vilnius	2	2	25.0
ALD Automotive Eesti AS, Estonia	11094435	Tallinn	1	1	25.0
ALD Automotive SIA, Latvia	50003825931	Riga	1	1	25.0
Oy Realinvest Ab[1]	0680035-9	Helsinki	-	0	-
Realia Holding Oy	2106796-8	Helsinki	20	20	25.0
Securus Oy	0742429-5	Helsinki	0	0	35.2
Suomen Luotto-osuuskunta	0201646-0	Helsinki	3	3	27.3
Total			**42**	**39**	

Parent company

31 Dec 2015	Business ID	Domicile	Carrying amount 2015, EURm	Carrying amount 2014, EURm	Voting power of holding %
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	5	5	33.3
Oy Realinvest Ab[1]	0680035-9	Helsinki	-	0	-
Realia Holding Oy	2106796-8	Helsinki	20	20	25.0
Securus Oy	0742429-5	Helsinki	0	0	35.2
Suomen Luotto-osuuskunta	0201646-0	Helsinki	3	3	27.3
Total			**28**	**28**	

[1] Oy Realinvest Ab was dissolved in April 2015.

No associated companies were acquired, sold or merged in 2015.

Note 20 Intangible assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Computer software	36	42	28	35
Other intangible assets, total	8	5	3	0
Total intangible assets	**44**	**47**	**31**	**35**

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2015	2014	2015	2014
Movements in computer software				
Acquisition value at beginning of year	186	166	182	171
Acquisitions during the year	4	20	2	10
Sales/disposals during the year	-116	0	-116	-2
Reclassifications	-	0	-	3
Translation differences	-	0	-	0
Acquisition value at end of year	**74**	**186**	**68**	**182**
Accumulated amortisation at beginning of year	-79	-64	-82	-66
Amortisation according to plan for the year	-4	-14	-4	-13
Accumulated amortisation on sales/disposals during the year	49	-	49	1
Reclassifications	-	-1	-	-4
Translation differences	-1	-	0	0
Accumulated amortisation at end of year	**-35**	**-79**	**-37**	**-82**
Accumulated impairment charges at beginning of year	-65	-8	-65	-8
Accumulated impairment charges on disposals during the year	65	-	65	-
Impairment charges during the year	-3	-57	-3	-57
Accumulated impairment charges at end of year	**-3**	**-65**	**-3**	**-65**
Total	**36**	**42**	**28**	**35**

Note 21 Leasing

NBF as a lessor

Finance leases
Nordea Bank Finland Group owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note 13) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

	Group	
	31 Dec	31 Dec
EURm	2015	2014
Gross investments	2,557	2,509
Less unearned finance income	-106	-124
Net investments in finance leases	**2,451**	**2,385**
Less unguaranteed residual values accruing to the benefit of the lessor	-21	-22
Present value of future minimum lease payments receivable	**2,430**	**2,363**
Accumulated allowance for uncollectible minimum lease payments receivable	8	8

As of 31 December 2015, the gross investment and the net investment by remaining maturity were distributed as follows:

	Group	
	31 Dec 2015	31 Dec 2015
EURm	Gross investment	Net investment
2016	952	902
2017	669	639
2018	455	440
2019	272	265
2020	163	160
Later years	46	45
Total	**2,557**	**2,451**

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

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

	Group
EURm	31 Dec 2015
2016	1
2017	0
2018	0
2019	0
2020	0
Later years	0
Total	**1**

NBF as a lessee

Finance leases

Nordea Bank Finland Group has only to a minor extent entered into finance lease agreements.

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

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
Leasing expenses during the year, EURm	2015	2014	2015	2014
Leasing expenses during the year	-57	-65	-57	-63
- of which minimum lease payments	-57	-62	-57	-63
- of which contingent rents	0	-1	-	-
Leasing income during the year regarding sublease payments	-	-	-	-

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

	Group	Parent company
EURm	31 Dec 2015	31 Dec 2015
2016	38	37
2017	25	25
2018	20	20
2019	18	18
2020	16	16
Later years	75	75
Total	**192**	**191**

Note 22 Investment properties

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Carrying amount at beginning of year	2	113	2	8
Acquisitions during the year	-	1	-	-
Sales/disposals during the year	-1	-112	-1	-6
Carrying amount at end of year	**1**	**2**	**1**	**2**

Amounts recognised in the income statement[1]

EURm	2015	2014	2015	2014
Rental income	1	1	1	1
Direct operating expenses that generate rental income	-	-4	-	-4
Direct operating expenses that do not generate rental income	-2	-	-2	-
Total	**-1**	**-3**	**-1**	**-3**

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

Market value	1	2	1	2

Note 23 Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Claims on securities settlement proceeds	941	980	940	980
Cash/ margin receivables	15,285	12,978	15,285	12,978
Other	789	666	745	628
Total	**17,015**	**14,624**	**16,970**	**14,586**

Note 24 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Accrued interest income	87	113	77	105
Other accrued income	330	319	171	146
Prepaid expenses	15	8	15	8
Total	**432**	**440**	**263**	**259**

Note 25 Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Central banks	8,680	10,139	8,680	10,139
Banks	60,137	68,212	59,848	67,970
Other credit institutions	9,345	9,017	9,644	9,020
Total	**78,162**	**87,368**	**78,172**	**87,128**

Note 26 Deposits and borrowings from the public

EURm	Group 31 Dec 2015	Group 31 Dec 2014	Parent company 31 Dec 2015	Parent company 31 Dec 2014
Deposits	52,690	52,593	52,688	52,587
Repurchase agreements	9,463	24,286	9,462	24,286
Total	**62,153**	**76,879**	**62,150**	**76,873**

Note 27 Debt securities in issue

EURm	Group 31 Dec 2015	Group 31 Dec 2014	Parent company 31 Dec 2015	Parent company 31 Dec 2014
Certificates of deposit	18,558	22,871	18,558	22,871
Commercial papers	-	887	-	887
Covered bonds	17,377	16,212	17,377	16,212
Other bonds	7,472	8,502	7,472	8,502
Total	**43,407**	**48,472**	**43,407**	**48,472**

Note 28 Other liabilities

EURm	Group 31 Dec 2015	Group 31 Dec 2014	Parent company 31 Dec 2015	Parent company 31 Dec 2014
Liabilities on securities settlement proceeds	837	631	837	631
Sold, not held, securities	8,519	6,273	8,519	6,273
Accounts payable	19	37	16	31
Cash/margin payables	8,832	10,061	8,831	10,061
Other	1,859	1,575	1,653	1,374
Total	**20,066**	**18,577**	**19,856**	**18,370**

Note 29 Accrued expenses and prepaid income

EURm	Group 31 Dec 2015	Group 31 Dec 2014	Parent company 31 Dec 2015	Parent company 31 Dec 2014
Accrued interest	2	10	1	10
Other accrued expenses	390	611	287	502
Prepaid income	175	183	94	99
Total	**567**	**804**	**382**	**611**

Note 30 Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Reserve for restructuring costs	60	45	59	44
Transfer risks, off-balance	0	8	0	8
Individually assessed guarantees and other commitments	15	23	15	23
Tax	0	0	-	-
Other	6	9	4	7
Total	**81**	**85**	**78**	**82**

Group

EURm	Restructuring	Transfer risks	Guarantees/ commitments	Tax	Other	Total
At the beginning of year	45	8	23	0	9	85
New provisions made	32	-	-3	-	-	29
Provisions utilised	-14	-	-	-	0	-14
Reversals	-3	-8	-5	-	-3	-19
Reclassifications	-	-	-	-	0	-
Translation differences	-	-	-	-	0	0
At the end of year	**60**	**0**	**15**	**0**	**6**	**81**

Provision for restructuring costs amounts to EUR 60m. New provisions recognised in 2015 amounted to EUR 34m. The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2016. As with any other provision, there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Provision for Transfer risk that was related to off-balance items released during the year 2015.

Loan loss provisions for individually assessed guarantees and other commitments amounted to EUR 15m.

Other provisions (EUR 6m) refer to the following provisions: Legal Disputes of EUR 1m, provision for environmental and property-related obligations of EUR 3m and other provisions amounting to EUR 2m. All other provisions are expected to be settled in 2016.

Parent company

EURm	Restructuring	Transfer risks	Guarantees/ commitments	Other	Total
At beginning of year	44	8	23	7	82
New provisions made	32	-	-3	-	29
Provisions utilised	-14	-	-	0	-14
Reversals	-3	-8	-5	-3	-19
Translation differences	-	-	-	0	0
At the end of year	**59**	**0**	**15**	**4**	**78**

Provision for restructuring costs amounts to EUR 59m. New provisions recognised in 2015 amounted to EUR 34m. The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2016. As with any other provision, there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Provision for Transfer risk that was related to off-balance items released during the year 2015.

Loan loss provisions for individually assessed guarantees and other commitments amounted to EUR 15m.

Other provisions (4m) refer to the following provisions: Legal Disputes of EUR 1m and provision for environmental and property-related obligations of EUR 3m. All other provisions are expected to be settled in 2016.

Note 31 Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Defined benefit plans, net	86	-2	86	0
Total	**86**	**-2**	**86**	**0**

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

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

Characteristics of the Nordea Pension Foundation

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

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

After having the necessary approval from the Finnish FSA, Nordea Pension Foundation will return the excess cover capital to the members of the Pension Foundation. The estimated amount is totally EUR 9m, of which the major part belongs to NBF Group companies. The amount has been taken into account when preparing the actuarial calculations for the year 2015 and is included in contributions by employer in the table below.

IAS 19 pension calculations and assumptions

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

Assumptions[1]	Finland
2015	
Discount rate[2]	2.14%
Salary increase	1.75%
Inflation	1.25%
Mortality	New TyEL mortality
Increase in income base amount	1.70%
2014	
Discount rate[2]	2.00%
Salary increase	2.00%
Inflation	1.50%
Mortality	Compertz
Increase in income base amount	1.90%

[1] The assumptions disclosed for 2015 have an impact on the liability calculation by year-end 2015, while the assumptions disclosed for 2014 are used for calculating the pension expense in 2015.

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

Sensitivities - Impact on Defined Benefit Obligation (DBO)	Group		Parent company	
	2015	2014	2015	2014
Discount rate - Increase 50bps	-6.8%	-7.2%	-6.7%	-7.1%
Discount rate - Decrease 50bps	7.6 %	8.1%	7.6%	8.1%
Salary increase - Increase 50bps	0.4%	0.4%	0.4%	0.4%
Salary increase - Decrease 50bps	-0.4%	-0.4%	-0.4%	-0.4%
Inflation - Increase 50bps	4.2%	4.7%	4.2%	4.6%
Inflation - Decrease 50bps	-3.9%	-4.3%	-3.9%	-4.3%
Mortality - Increase 1 year	2.6%	3.7%	2.7%	3.7%
Mortality - Decrease 1 year	-2.6%	-3.6%	-2.6%	-3.6%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2014 Annual Report, there have been no changes in the methods used when preparing the sensitivity analyses.

Net retirement benefit liabilities/assets

	Group		Parent company	
EURm	2015	2014	2015	2014
Obligations	871	948	857	934
Plan assets	957	946	943	934
Net liability(-)/asset (+)	**86**	**-2**	**86**	**0**
- of which retirement benefit liabilities	4	28	4	25
- of which retirement benefit assets	90	25	90	25

Movements in the obligation

	Group		Parent company	
EURm	2015	2014	2015	2014
Opening balance	948	788	934	776
Current service cost	2	2	2	2
Interest cost	20	27	20	27
Pensions paid	-42	-42	-41	-42
Past service cost	1	0	1	0
Settlements	0	0	0	0
Remeasurement from changes in demographic assumptions	-32	28	-32	28
Remeasurement from changes in financial assumptions	-24	145	-23	142
Remeasurement from experience adjustments	-11	-8	-11	-7
Translation differences	9	8	7	8
Closing balance	**871**	**948**	**857**	**934**

The average duration of the obligation is 17 years (14) both in the Group and the parent company. The duration is based on discounted cash flows. The fact that the main part of the defined benefit plans are closed for new entrants leads to a lower duration.

Movements in the fair value of plan assets

	Group		Parent company	
EURm	2015	2014	2015	2014
Opening balance	946	900	934	887
Interest income (calculated using the discount rate)	20	31	20	31
Pensions paid	-42	-42	-41	-42
Settlements	2	0	2	0
Contributions by employer	-1	-14	-1	-13
Remeasurement (actual return less interest income)	24	63	23	63
Administrative expenses	0	0	0	0
Translation differences	8	8	6	8
Closing balance	**957**	**946**	**943**	**934**

Asset composition
The combined return on assets in 2015 was 5% (10). The asset return was driven by positive return on equities and real estate with only limited contribution from bonds and credit investments. At the end of the year, the equity exposure in pension foundation represented 29% (28) of total assets.

Asset composition in funded schemes, %	2015	2014
Bonds	54 %	59 %
- sovereign	37 %	44 %
- covered bonds	-	-
- corporate bonds	17 %	13 %
- issued by Nordea entities	-	-
- with quoted market price in an active market	54 %	59 %
Equity	29 %	28 %
- domestic	8 %	9 %
- European	8 %	8 %
- US	7 %	7 %
- emerging	5 %	4 %
- Nordea shares	0 %	-
- with quoted market price in an active market	29 %	28 %
Real Estate[1]	10 %	10 %
- occupied by Nordea	3 %	3 %
Cash and cash equivalents	7 %	3 %

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

Both the Group and the parent company are expected to contribute EUR 3m to its defined benefit plans in 2016.

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 2015 is EUR 1m (1m positive). In the parent company's income statement the respective cost was EUR 1m (1 m positive) in 2015.

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

	Group		Parent company	
Recognised in the income statement, EURm	2015	2014	2015	2014
Current service cost	3	3	2	2
Net interest	0	-4	0	-3
Past service cost	1	0	1	0
Settlements	-2	0	-2	0
Administrative expenses	0	0	0	0
Pension cost on defined benefit plans (expense+, income-)	**2**	**-1**	**1**	**-1**

Except past service cost and settlements, the pension cost is in line with what was expected at the start of the year.

Note 31 *Retirement benefit obligations, cont.*

	Group		Parent company	
Recognised in other comprehensive income, EURm	2015	2014	2015	2014
Remeasurement from changes in demographic assumptions	-32	28	-32	28
Remeasurement from changes in financial assumptions	-24	145	-23	142
Remeasurement from experience adjustments	-11	-8	-11	-7
Remeasurement of plan assets (actual return less interest income)	-24	-63	-23	-63
Pension cost on defined benefit plans (expense+, income-)	**-91**	**102**	**-89**	**100**

	Group		Parent company	
Net retirement benefit asset//liability	2015	2014	2015	2014
Opening balance	2	-112	1	-111
Pension cost in the income statement	2	-1	1	-1
Remeasurements in other comprehensive income	-91	102	-89	100
Contributions by employer	1	13	1	13
Translation differences	0	0	1	0
Closing balance	**-86**	**2**	**-85**	**1**

Key management personnel

As at 31 December 2015, members of the Board of Directors of Nordea Bank Finland Plc were members of the Nordea Bank AB (publ) Group Executive Management, except for the one external member, Carl-Johan Granvik. In 2015, Nordea Bank AB (publ) has paid all salaries, fees, pensions and other staff-related expenses to the other members of the Board. Nordea Bank AB (publ) has allocated these salary expenses to Nordea Bank Finland Plc as part of the Head Office Allocation expenses.

Information on salaries, loans and pension liabilities regarding members of the Board, the President and the deputy to the President is presented in Note 8 and in the Annual report of Nordea Bank AB (publ).

Note 32 Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Dated subordinated debenture loans	-	-	-	-
Undated subordinated debenture loans	78	70	78	70
Hybrid capital loans	550	550	550	550
Total	**628**	**620**	**628**	**620**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

Group and parent company

On 31 December 2015 loans - with terms specified below - exceeded 10% of the total outstanding volume.

Issued by	Year of issue/ maturity	Nominal value	Carrying amount, EURm	Interest rate (coupon)
Nordea Bank Finland Plc[1]	1999/undated	MJPY 10,000	78	4.51%
Nordea Bank Finland Plc[2]	2014/30 Sep 2019	MEUR 550	550	Floating 3-month EURIBOR +4.34%

[1] Call date 26 February 2029

[2] Call date 30 February 2019

Note 33 Assets pledged as security for own liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Assets pledged for own liabilities				
Securities etc.[1]	4,627	11,058	4,627	11,058
Loans to the public	20,731	19,800	20,730	19,800
Other pledged assets	15,574	12,568	15,574	12,568
Total	**40,932**	**43,426**	**40,931**	**43,426**
The above pledges pertain to the following liabilities				
Deposits by credit institutions	2,706	6,399	2,706	6,399
Deposits and borrowings from the public	1,921	4,659	1,921	4,659
Derivatives	15,285	12,314	15,285	12,314
Debt securities in issue	17,378	16,212	17,377	16,212
Other liabilities and commitments	260	-	260	-
Total	**37,550**	**39,584**	**37,549**	**39,584**

[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 41 Transferred assets and obtained collaterals.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Loans to the public amounting to EUR 20,730m (19,800) have been registered as collateral for issued Finnish covered bonds amounting to EUR 17,377m (16,212). In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral. Collaterals are valuated up to the first 70% of the market value of the property. NBF has used Realia Management Oy, Newsec Valuation Oy and Catella Property Oy to valuate commercial real estate collaterals.

Note 34 Other assets pledged

Other assets pledged are mainly related to securities which include interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 4,792 m (5,000). The terms and conditions require day to day securities and relate to liquidity intraday/overnight. Collateral pledged on behalf of other items than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities, are also accounted for under this item.

Note 35 Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Guarantees				
Loan guarantees	1,415	1,350	1,580	1,538
Other guarantees	9,666	11,933	9,665	11,941
Documentary credits	1,331	1,603	1,334	1,603
Other contingent liabilities	20	20	20	20
Total	**12,432**	**14,906**	**12,599**	**15,102**

In the normal business of Nordea Bank Finland, 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's services and support the bank's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received.

Note 36 Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Unutilised overdraft facilities	7,411	7,760	7,411	7,784
Loan commitments	6,202	8,261	3,354	5,513
Future payment obligations	2	3	2	3
Other commitments	357	766	-	449
Total	**13,972**	**16,790**	**10,767**	**13,749**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2015 signed reverse repurchase agreements of EUR 6,809 m (26,849) 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 2015. Net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

Note 37 Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is now a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the CRD.

Common Equity Tier 1 capital and Tier 1 capital

Common Equity Tier (CET) 1 capital is defined as eligible capital including eligible reserves, net of regulatory required deductions made directly to CET1 capital. The capital recognised as CET 1 capital holds the ultimate characteristics for loss absorbance defined from a going concern perspective and represents the most subordinated claim in the event of liquidation.

The Tier 1 capital is defined as the sum of CET1 capital and Additional Tier 1 (AT1) capital where AT1 capital is the total of instruments (hybrids) issued by the bank that meet the transitional regulatory criteria and are not included in the CET1 net after AT1 deductions. All AT1 capital instruments are undated subordinated capital loans.

Eligible capital and eligible reserves

Paid up capital is the share capital contributed by shareholders, including the share premium paid. Eligible reserves consist primarily of retained earnings, other reserves and income from the current year. Retained earnings are earnings from previous years reported via the income statement. Other reserves are related to revaluation and translation reserves referred to acquisitions and associated companies under the equity method. The equity interests of minority shareholdings in companies that are fully consolidated in the financial group are not included. Positive income from the current year is included as eligible capital after verification by the external auditors, however negative income must be deducted.

Additional Tier 1 instruments

The inclusion of undated subordinated loans in additional Tier 1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument. Undated subordinated loans may be repaid only upon decision by the Board of Directors in NBF and with the permission of the Supervisory Authority. Furthermore, there are restrictions related to step-up conditions, order of priority, and interest payments under constraint conditions. Additional Tier 1 instruments issued that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

For the additional Tier 1 instruments, conditions specify appropriation in order to avoid being obliged to enter into liquidation. To the extent that may be required to avoid liquidation, the principal amounts of additional Tier 1 instruments (together with accrued interest) would be written down and converting such amount into a conditional capital contribution.

Tier 2 capital

Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-à-vis depositors and other bank creditors.

Tier 2 instruments

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

The basic principle for subordinated debt in own funds is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The share of outstanding loan amount possible to include in the Tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years.

Table A2 Transitional own funds

Group			
Common Equity Tier 1 capital: instruments and reserves, EURm		(A) amount at disclosure date	(C) amounts subject to pre-regulation (EU) no 575/2013 treatment or prescribed residual amount of regulation (EU) no 575/2013
1	Capital instruments and the related share premium accounts	2,918	
	of which: Share capital	2,319	
2	Retained earnings	8,277	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	48	
5	Minority Interests (amount allowed in consolidated CET1)	0	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	274	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	11,516	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-219	
8	Intangible assets (net of related tax liability) (negative amount)	-44	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	
11	Fair value reserves related to gains or losses on cash flow hedges	-13	
12	Negative amounts resulting from the calculation of expected loss amounts	-207	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	37	
15	Defined-benefit pension fund assets (negative amount)	-72	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	
	Of which: …filter for unrealised loss 1	0	4,029
	Of which: …filter for unrealised gain 1	0	135
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-518	
29	**Common Equity Tier 1 (CET1) capital**	10,998	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	550	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	550	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	
44	**Additional Tier 1 (AT1) capital**	550	
45	**Tier 1 capital (T1 = CET1 + AT1)**	11,548	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	76	
51	**Tier 2 (T2) capital before regulatory adjustments**	76	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	
58	**Tier 2 (T2) capital**	76	
59	**Total capital (TC = T1 + T2)**	11,624	
60	**Total risk weighted assets**	44,378	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	24.8%	
62	Tier 1 (as a percentage of risk exposure amount)	26.0%	
63	Total capital (as a percentage of risk exposure amount)	26.2%	

64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2.7%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.2%	
67	of which: systemic risk buffer requirement	0.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	18.2%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	178	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	6	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	25,226	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	151	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
84	Current cap on T2 instruments subject to phase out arrangements	319	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

Parent company

Common Equity Tier 1 capital: instruments and reserves, EURm		(A) amount at disclosure date	(C) amounts subject to pre-regulation (EU) no 575/2013 treatment or prescribed residual amount of regulation (EU) no 575/2013
1	Capital instruments and the related share premium accounts	2,918	
	of which: Share capital	2,319	
2	Retained earnings	7,664	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	49	
5	Minority Interests (amount allowed in consolidated CET1)	0	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	222	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	10,853	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-219	
8	Intangible assets (net of related tax liability) (negative amount)	-31	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	
11	Fair value reserves related to gains or losses on cash flow hedges	-13	
12	Negative amounts resulting from the calculation of expected loss amounts	-177	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	37	
15	Defined-benefit pension fund assets (negative amount)	-72	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	

26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	
	Of which: …filter for unrealised loss 1	0	4
	Of which: …filter for unrealised gain 1	0	135
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	-476	
29	**Common Equity Tier 1 (CET1) capital**	10,377	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	550	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	550	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	
44	**Additional Tier 1 (AT1) capital**	550	
45	**Tier 1 capital (T1 = CET1 + AT1)**	10,927	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	76	
51	**Tier 2 (T2) capital before regulatory adjustments**	76	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	
58	**Tier 2 (T2) capital**	76	
59	**Total capital (TC = T1 + T2)**	11,003	
60	**Total risk weighted assets**	39,521	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	26.3%	
62	Tier 1 (as a percentage of risk exposure amount)	27.6%	
63	Total capital (as a percentage of risk exposure amount)	27.8%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2.7%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.2%	
67	of which: systemic risk buffer requirement	0.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	19.8%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	178	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	22,092	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	133	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
84	Current cap on T2 instruments subject to phase out arrangements	319	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

Minimum capital requirement and REA

Group

	31 Dec 2015		31 Dec 2014	
EURm	Minimum capital requirement	REA	Minimum capital requirement	REA
Credit risk	**2,713**	**33,909**	**3,059**	**38,231**
- of which counterparty credit risk	586	7,330	663	8,285
IRB	2,018	25,226	2,200	27,496
- corporate	1,214	15,175	1,358	16,976
- advanced	*811*	*10,143*	*488*	*6,103*
- foundation	*403*	*5,032*	*870*	*10,873*
- institutions	295	3,683	358	4,465
- retail	500	6,248	465	5,816
- secured by immovable property collateral	*216*	*2,699*	*184*	*2,300*
- other retail	*284*	*3,549*	*281*	*3,516*
- other	9	120	19	239
Standardised	695	8,683	859	10,735
- central governments or central banks	7	90	17	208
- regional governments or local authorities	13	166	14	170
- public sector entities	2	30	2	20
- multilateral development banks	0	0	-	-
- international organisations	-	-	-	-
- institutions	538	6,728	692	8,663
- corporate	81	1,007	79	995
- retail	35	433	32	395
- secured by mortgages on immovable property				
- in default	1	16	1	13
- associated with particularly high risk	-	-	-	-
- covered bonds	4	48	12	145
- institutions and corporates with a short-term credit assessment	-	-	-	-
- collective investments undertakings (CIU)	-	-	-	-
- equity	5	59	4	54
- other items	9	106	6	72
Credit Value Adjustment Risk	**130**	**1,625**	**172**	**2,153**
Market risk	**346**	**4,329**	**447**	**5,589**
- trading book, Internal Approach	231	2,887	298	3,720
- trading book, Standardised Approach[1]	108	1,350	139	1,743
- banking book, Standardised Approach	7	92	10	126
Operational risk	**338**	**4,229**	**366**	**4,579**
Standardised	338	4,229	366	4,579
Additional risk exposure amount, Article 3 CRR	**23**	**286**	**-**	**-**
Sub total	**3,550**	**44,378**	**4,044**	**50,552**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	1,105	13,810	862	10,776
Total	**4,655**	**58,188**	**4,906**	**61,328**

[1] Market Risk - of which trading book, Standardised Approach has been restated in 2014

Note 37 *Capital adequacy, cont.*

Minimum capital requirement and REA

Parent company

EURm	31 Dec 2015 Minimum capital requirement	31 Dec 2015 REA	31 Dec 2014 Minimum capital requirement	31 Dec 2014 REA
Credit risk	**2,372**	**29,650**	**2,737**	**34,223**
- of which counterparty credit risk	586	7,330	663	8,285
IRB	1,767	22,092	1,959	24,486
- corporate	1,104	13,795	1,248	15,599
- advanced	*812*	*10,149*	*489*	*6,115*
- foundation	*292*	*3,646*	*759*	*9,484*
- institutions	294	3,682	356	4,457
- retail	361	4,514	337	4,215
- secured by immovable property collateral	*216*	*2,698*	*184*	*2,300*
- other retail	*145*	*1,816*	*153*	*1,916*
- other	8	101	17	215
Standardised	605	7,558	779	9,736
- central governments or central banks	7	85	16	205
- regional governments or local authorities	13	166	14	170
- public sector entities	2	29	2	20
- multilateral development banks	0	0	-	-
- international organisations	-	-	-	-
- institutions	538	6,725	700	8,742
- corporate	1	16	1	8
- retail	4	46	4	56
- secured by mortgages on immovable property	-	-	-	-
- in default	0	0	0	1
- associated with particularly high risk	-	-	-	-
- covered bonds	4	48	10	122
- institutions and corporates with a short-term credit assessment	-	-	-	-
- collective investments undertakings (CIU)	-	-	-	-
- equity	28	343	27	343
- other items	8	100	5	69
Credit Value Adjustment Risk	**130**	**1,625**	**172**	**2,153**
Market risk	**346**	**4,328**	**447**	**5,586**
- trading book, Internal Approach	231	2,887	298	3,720
- trading book, Standardised Approach[1]	108	1,350	139	1,743
- banking book, Standardised Approach	7	91	10	123
Operational risk	**293**	**3,666**	**324**	**4,045**
Standardised	293	3,666	324	4,045
Additional risk exposure amount, Article 3 CRR	**21**	**252**	**-**	**-**
Sub total	**3,162**	**39,521**	**3,680**	**46,008**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	966	12,079	704	8,807
Total	**4,128**	**51,600**	**4,384**	**54,814**

[1] Market Risk - of which trading book, Standardised Approach has been restated in 2014

Nordea Bank AB (publ) has in December 2012 issued a guarantee in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees part of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The net effect of the guarantee in REA in Nordea Bank Finland Plc was EUR -2,9bn as at the end of 2015 (-3.7).

Leverage ratio

	Group		Parent company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Tier 1 capital, transitional definition, EURm[1]	11,548	9,004	10,926	8,458
Leverage ratio exposure, EURm	255,891	269,431	255,589	268,340
Leverage ratio, percentage	4.5	3.3	4.3	3.2

[1] Including profit of the period

REA and capital requirements for market risk, 31 December 2015

Group

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk[1]	1,224	98	1,108	88			2,332	186
Equity risk	327	26	220	18			547	44
Foreign exchange risk	205	17			92	7	297	24
Commodity risk			22	2			22	2
Settlement risk			0	0			0	0
Diversification effect	-660	-53					-660	-53
Stressed Value-at-Risk	957	77					957	77
Incremental Risk Measure	382	30					382	30
Comprehensive Risk Measure	452	36					452	36
Total	**2,887**	**231**	**1,350**	**108**	**92**	**7**	**4,329**	**346**

[1] Interest rate risk in the column Trading book IM includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Parent company

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk[1]	1,224	98	1,108	89			2,332	187
Equity risk	328	27	220	17			548	44
Foreign exchange risk	205	17			91	7	296	24
Commodity risk			22	2			22	2
Settlement risk			0	0			0	0
Diversification effect	-660	-53					-660	-53
Stressed Value-at-Risk	957	76					957	76
Incremental Risk Measure	381	30					381	30
Comprehensive Risk Measure	452	36					452	36
Total	**2,887**	**231**	**1,350**	**108**	**91**	**7**	**4,328**	**346**

[1] Interest rate risk in the column Trading book IM includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

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

Specification over group undertakings consolidated in the Nordea Bank Finland Group

31 Dec 2015	Number of shares	Carrying amount EURm	Voting power of holding, %	Domicile	Consolidation method
Group undertakings included in the NBF Group					
Nordea Finance Finland Ltd	1,000,000	306	100	Helsinki	purchase method
Other companies		3			
Total included in the capital base		**309**			

Note 38 Classification of financial instruments

Group

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associates	Total
Assets								
Cash and balances with central banks	32,613	-	-	-	-	-	-	32,613
Loans to central banks	199	-	5,129	-	-	-	-	5,328
Loans to credit institutions	23,622	-	3,467	-	-	-	-	27,089
Loans to the public	66,569	-	34,878	-	-	-	-	101,447
Interest-bearing securities	-	41	21,214	-	-	8,888	-	30,143
Financial instruments pledged as collateral	-	-	4,627	-	-	-	-	4,627
Shares	-	-	2,013	7	-	-	-	2,020
Derivatives	-	-	79,745	-	812	-	-	80,557
Fair value changes of the hedged items in portfolio hedge of interest rate risk	51	-	-	-	-	-	-	51
Investments in associated undertakings	-	-	-	-	-	-	42	42
Intangible assets	-	-	-	-	-	-	44	44
Properties and equipment	-	-	-	-	-	-	76	76
Investment property	-	-	-	-	-	-	1	1
Deferred tax assets	-	-	-	-	-	-	14	14
Current tax assets	-	-	-	-	-	-	1	1
Retirement benefit assets	-	-	-	-	-	-	90	90
Other assets	1,496	-	-	15,285	-	-	234	17,015
Prepaid expenses and accrued income	102	-	-	-	-	-	330	432
Total	**124,652**	**41**	**151,073**	**15,292**	**812**	**8,888**	**832**	**301,590**

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	16,092	-	-	62,070	-	78,162
Deposits and borrowings from the public	9,462	-	-	52,691	-	62,153
Debt securities in issue	7,472	-	-	35,935	-	43,407
Derivatives	83,283	-	255	-	-	83,538
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	557	-	557
Current tax liabilities	-	-	-	-	77	77
Other liabilities	8,519	8,832	-	2,528	187	20,066
Accrued expenses and prepaid income	-	-	-	177	390	567
Deferred tax liabilities	-	-	-	-	54	54
Provisions	-	-	-	-	81	81
Retirement benefit liabilities	-	-	-	-	4	4
Subordinated liabilities	-	-	-	628	-	628
Total	**124,828**	**8,832**	**255**	**154,586**	**793**	**289,294**

Note 38 *Classification of financial instruments, cont.*

Group

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

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

Parent company

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associates	Total
Assets								
Cash and balances with central banks	32,613	-	-	-	-	-	-	32,613
Loans to central banks	-	-	5,129	-	-	-	-	5,129
Loans to credit institutions	30,040	-	3,467	-	-	-	-	33,507
Loans to the public	59,185	-	34,878	-	-	-	-	94,063
Interest-bearing securities	-	41	21,214	-	-	8,888	-	30,143
Financial instruments pledged as collateral	-	-	4,627	-	-	-	-	4,627
Shares	-	-	2,012	7	-	-	-	2,019
Derivatives	-	-	79,745	-	812	-	-	80,557
Fair value changes of the hedged items in portfolio hedge of interest rate risk	51	-	-	-	-	-	-	51
Investments in group undertakings	-	-	-	-	-	-	309	309
Investments in associated undertakings	-	-	-	-	-	-	28	28
Intangible assets	-	-	-	-	-	-	31	31
Properties and equipment	-	-	-	-	-	-	69	69
Investment property	-	-	-	-	-	-	1	1
Deferred tax assets	-	-	-	-	-	-	12	12
Current tax assets	-	-	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-	90	90
Other assets	1,459	-	-	15,285	-	-	226	16,970
Prepaid expenses and accrued income	92	-	-	-	-	-	171	263
Total	**123,440**	**41**	**151,072**	**15,292**	**812**	**8,888**	**937**	**300,482**

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	16,092	-	-	62,080	-	78,172
Deposits and borrowings from the public	9,462	-	-	52,688	-	62,150
Debt securities in issue	7,472	-	-	35,935	-	43,407
Derivatives	83,282	-	256	-	-	83,538
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	557	-	557
Current tax liabilities	-	-	-	-	77	77
Other liabilities	8,519	8,832	-	2,409	96	19,856
Accrued expenses and prepaid income	-	-	-	96	286	382
Deferred tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	78	78
Retirement benefit liabilities	-	-	-	-	4	4
Subordinated liabilities	-	-	-	628	-	628
Total	**124,827**	**8,832**	**256**	**154,393**	**541**	**288,849**

Note 38 *Classification of financial instruments, cont.*

Parent company

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

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

Note 39 Assets and liabilities at fair value

Fair value of financial assets and liabilities

Group

	31 Dec 2015		31 Dec 2014	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	32,613	32,613	28,846	28,846
Loans	133,915	133,622	149,175	147,950
Interest-bearing securities	30,143	30,145	34,643	34,647
Financial instruments pledged as collateral	4,627	4,627	11,058	11,058
Shares	2,020	2,020	1,918	1,918
Derivatives	80,557	80,557	105,254	105,254
Other assets	16,781	16,781	14,314	14,312
Prepaid expenses and accrued income	102	102	121	121
Total financial assets	**300,758**	**300,467**	**345,329**	**344,106**
Financial liabilities				
Deposits and debt instruments	184,279	184,260	213,492	213,727
Derivatives	83,538	83,538	102,876	102,876
Other liabilities	19,879	19,879	18,368	18,367
Accrued expenses and prepaid income	177	177	193	193
Subordinated liabilities	628	628	620	620
Total financial liabilities	**288,501**	**288,482**	**335,549**	**335,783**

Parent company

	31 Dec 2015		31 Dec 2014	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	32,613	32,613	28,846	28,846
Loans	132,749	132,311	147,806	146,678
Interest-bearing securities	30,143	30,145	34,643	34,647
Financial instruments pledged as collateral	4,627	4,627	11,058	11,058
Shares	2,019	2,019	1,917	1,917
Derivatives	80,557	80,557	105,254	105,254
Other assets	16,745	16,744	14,285	14,284
Prepaid expenses and accrued income	92	92	112	112
Total financial assets	**299,545**	**299,108**	**343,921**	**342,796**
Financial liabilities				
Deposits and debt instruments	184,286	184,267	213,246	213,480
Derivatives	83,538	83,538	102,876	102,876
Other liabilities	19,760	19,760	18,242	18,242
Accrued expenses and prepaid income	96	96	110	110
Subordinated liabilities	628	628	620	620
Total financial liabilities	**288,308**	**288,289**	**335,094**	**335,328**

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

Assets and liabilities at fair value on the balance sheet

Group

Categorisation into the fair value hierarchy

31 Dec 2015, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	5,129	-	5,129
Loans to credit institutions	-	3,467	-	3,467
Loans to the public	-	34,878	-	34,878
Interest-bearing securities	12,381	17,662	59	30,102
Financial instruments pledged as collateral	3,279	1,348	-	4,627
Shares	1,647	301	72	2,020
Derivatives	211	78,684	1,662	80,557
Investment properties	-	1	-	1
Other assets	-	15,285	-	15,285
Total	**17,518**	**156,755**	**1,793**	**176,066**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	16,092	-	16,092
Deposits and borrowings from the public	-	9,462	-	9,462
Debt securities in issue[2]	-	7,472	-	7,472
Derivatives[2]	235	81,752	1,551	83,538
Other liabilities	6,739	10,612	-	17,351
Total	**6,974**	**125,390**	**1,551**	**133,915**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.
[2] For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as "Debt securities in issue" and the embedded derivative on the balance sheet as "Derivatives". The total fair value of the structured bonds is EUR 7,411m, of which EUR 7,468m is categorised into Level 2 and EUR -57m into Level 3 in the fair value hierarchy.

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

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.
[2] For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as "Debt securities in issue" and the embedded derivative on the balance sheet as "Derivatives". The total fair value of the structured bonds is EUR 8,042m, of which EUR 7,686 is categorised into Level 2 and EUR 356m into Level 3 in the fair value hierarchy.

Parent company

Categorisation into the fair value hierarchy

31 Dec 2015, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks	-	5,129	-	5,129
Loans to credit institutions	-	3,467	-	3,467
Loans to the public	-	34,878	-	34,878
Interest-bearing securities	12,381	17,662	59	30,102
Financial instruments pledged as collateral	3,279	1,348	-	4,627
Shares	1,647	301	71	2,019
Derivatives	211	78,684	1,662	80,557
Investment properties	-	1	-	1
Other assets	-	15,285	-	15,285
Total	**17,518**	**156,755**	**1,792**	**176,065**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	-	16,092	-	16,092
Deposits and borrowings from the public	-	9,462	-	9,462
Debt securities in issue[2]	-	7,472	-	7,472
Derivatives[2]	235	81,752	1,551	83,538
Other liabilities	6,739	10,612	-	17,351
Total	**6,974**	**125,390**	**1,551**	**133,915**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.
[2] For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as “Debt securities in issue” and the embedded derivative on the balance sheet as “Derivatives”. The total fair value of the structured bonds is EUR 7,411m, of which EUR 7,468m is categorised into Level 2 and EUR -57m into Level 3 in the fair value hierarchy.

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

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.
2 For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as “Debt securities in issue” and the embedded derivative on the balance sheet as “Derivatives”. The total fair value of the structured bonds is EUR 8,042m, of which EUR 7,686 is categorised into Level 2 and EUR 356m into Level 3 in the fair value hierarchy.

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

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input have a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

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

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

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

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

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

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of the counterparty's credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis.

Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not directly available, PDs and recovery rates are estimated using a cross sectional approach where the illiquid counterparties are mapped to comparable liquid CDS names.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In 2015, Nordea developed its FFVA framework to incorporate an estimated funding curve which reflects the market cost of funding. Since FFVA is a newly developing market practice, Nordea is continuously monitoring the market practices, and consequently reviewing and developing the methodology in use.

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

The fair value measurement of the investment properties takes into account a market participant's ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between level 1 and 2

During the year, NBF transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 4m (0m) from Level 1 to Level 2 and EUR 34m (134m) from level 2 to level 1. NBF transferred shares 22m (0m) from Level 1 to Level 2 and derivatives 95m (0m) from level 2 to level 1 of the fair value hierarchy for financial assets. NBF also transferred derivatives 116m (0m) and other liabilities 4m (55m) from level 2 to level 1 for financial liabilities which are recorded at fair value. The reason for the transfer from level 1 to level 2 was that the instruments were consider not to be traded actively anymore on the market. The reason for the transfer from level 2 to level 1 was that the instruments have been actively traded during the year and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of year.

Movements in level 3

Group

31 Dec 2015, EURm	1 Jan 2015	Reclassification	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Purchases/ Issues	Sales
Interest-bearing securities	77	-	0	10	78	-104
Shares	453	-	23	-74	0	-24
Derivatives (net assets and liabilities)	-191	-	-19	-21	-	-
Investment properties	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-

31 Dec 2015, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2015
Interest-bearing securities	0	-	-2	-	59
Shares	-	27	-333	0	72
Derivatives (net assets and liabilities)	19	450	-127	-	111
Investment properties	-	-	-	-	-
Other liabilities	-	-	-	-	-

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During the period NBF transferred shares EUR 333m from level 3 to level 2. The reason for the transfer was that the classification of the equity related funds has been reviewed. During the period, NBF also transferred derivatives (net) of EUR 450m from Level 2 to Level 3 and EUR 127m 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 year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

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

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

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

Movements in level 3

Parent company

31 Dec 2015, EURm	1 Jan 2015	Reclassification	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Purchases/ Issues	Sales
Interest-bearing securities	77	-	0	10	78	-104
Shares	452	-	23	-74	0	-24
Derivatives (net assets and liabilities)	-191	-	-19	-21	-	-
Investment properties	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-

31 Dec 2015, EURm	Settlements	Transfers into level 3	Transfers out from level 3	Translation differences	31 Dec 2015
Interest-bearing securities	0	-	-2	-	59
Shares	-	27	-333	-	71
Derivatives (net assets and liabilities)	19	450	-127	-	111
Investment properties	-	-	-	-	-
Other liabilities	-	-	-	-	-

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During the period, NBF transferred shares EUR 333m from level 3 to level 2. The reason for the transfer was that the classification of the equity related funds has been reviewed. During the period, NBF also transferred derivatives (net) of EUR 450m from Level 2 to Level 3 and EUR 127m 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 year are included in "Net result from items at fair value" (see Note 5). Assets and liabilities related to derivatives are presented net.

Parent company

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

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

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

The valuation processes for fair value measurements in level 3

Financial instruments
Nordea has an independent specialised valuation control unit, Group Valuation Control (GVC). GVC has the responsibility of setting the Nordea valuation framework, as well as overseeing and independently assessing valuations of financial instruments held at fair value on Nordea´s balance sheet. GVC issues the Nordea Group Valuation Policy, which is approved by the Group Valuation Committee. The Group Valuation Committee governs valuation matters and also serves as an escalation point for valuation issues. Further escalation of valuation issues is addressed by the Assets and Liabilities Committee, which reports to the Board of Directors

The valuation control process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the trading organisation to set correct prices used for the valuation process, these prices are either internally marked prices set by trading or externally sourced prices. These valuation prices and valuation approaches are then controlled and tested by independent control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with valuation committees as decision bodies.

The verification of the correctness of prices and other parameters is carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The valuation adjustments at portfolio level and the deferrals of day 1 P/L on level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

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

Group and parent company

31 Dec 2015, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Mortgage and other credit institutions	59	Discounted cash flows	Credit spread	-4/4
Corporates	0	Discounted cash flows	Credit spread	-
Total	**59**			
Shares				
Private equity funds	2	Net asset value[1]		
Hedge funds	38	Net asset value[1]		
Credit Funds	26	Net asset value[1]		
Other funds	1	Net asset value[1]		
Other	5	-		
Total[2]	**72**			
Derivatives				
Interest rate derivatives	159	Option model	Correlations	-26/19
			Volatilities	
Equity derivatives	-23	Option model	Correlations	-26/19
			Volatilities	
			Dividend	
Foreign exchange derivatives	-34	Option model	Correlations	+/-0
			Volatilities	
Credit derivatives	-19	Credit derivate model	Correlations	-8/6
			Recovery rates	
Other	28	Option model	Correlations	+/-0
			Volatilities	
Total	**111**			

[1] The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement 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).

[2] Effects of reasonably possible alternative assumptions are EURm -4/4 (EURm -39/39).

Note 39 *Assets and liabilities at fair value, cont.*

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

Group and parent company

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

1 The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement 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).
2 Effects of reasonably possible alternative assumptions are EURm -39/39 (EURm -36/36).
3 Range of fair value for derivatives 31 Dec 2013 was EURm -30/25 and for interest-bearing securities EURm -20/20.

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

The column “range of fair value” in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed is likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives, a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities, the fair value was increased and decreased within a total range of 2-10 percentage units depending on the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

Note 39 *Assets and liabilities at fair value, cont.*

Movements in deferred Day 1 profit or loss

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

	Group		Parent company	
Deferred day 1 profit - derivatives EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Amount at beginning of year	-44	-41	-44	-41
Deferred profit/loss on new transactions	-14	-15	-14	-15
Recognised in the income statement during the year	14	12	14	12
Subsequent move to observability	0	-	0	-
Amount at end of year	**-44**	**-44**	**-44**	**-44**

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

Group

31 Dec 2015, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	32,613	32,613	3
Loans	90,441	90,149	3
Interest bearing-securities	41	42	2
Other assets and Prepaid expenses and accrued income	1,600	1,600	3
Total	**124,695**	**124,404**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	151,881	151,862	3
Other liabilities and Accrued expenses and prepaid income	2,705	2,705	3
Total	**154,586**	**154,567**	

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

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

Parent company

31 Dec 2015, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	32,613	32,613	3
Loans	89,276	88,837	3
Interest bearing-securities	41	42	2
Other assets and Prepaid expenses and accrued income	1,552	1,552	3
Total	**123,482**	**123,044**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	151,888	151,869	3
Other liabilities and Accrued expenses and prepaid income	2,506	2,506	3
Total	**154,394**	**154,375**	

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

Cash and balances with central banks
The fair value of" Cash and balances with central banks", is due to its short term nature, assumed to equal the carrying amount and is thus categorised into Level 3 in the fair value hierarchy.

Loans
The fair value of “Loans to central banks”, “Loans to credit institutions” and “Loans to the public” have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Retail Banking and Wholesale Banking respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities
The fair value is EUR 42 m (69), of which EUR 0 m (27) is categorised into level 1 and EUR 42 m (42) into Level 2 of the fair value hierarchy. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income
The balance sheet items “Other assets” and “Prepaid expenses and accrued income” consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments
The fair value of “Deposits by credit institutions”, “Deposits and borrowings from the public”, “Debt securities in issue” and “Subordinated liabilities” has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as a difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuances recognised in the balance sheet items “Debt securities in issue” and “Subordinated liabilities”. As the contractual maturity is short for “Deposits by credit institutions” and “Deposits and borrowing from the public” the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items “Debt securities in issue” and “Subordinated liabilities”.

Other liabilities and accrued expenses and prepaid income
The balance sheet items “Other liabilities” and “Accrued expenses and prepaid income” consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into level 3 in the fair value hierarchy.

Note 40 Financial instruments set off on balance or subject to netting agreements

Group

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	207,755	-127,466	80,290	-62,598	-	-7,582	10,111
Reverse repurchase agreements	63,251	-9,888	53,362	-16,532	-36,631	-	199
Total	**271,006**	**-137,354**	**133,652**	**-79,130**	**-36,631**	**-7,582**	**10,310**

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	210 312	-127 466	82 846	-62 598	-	-12,390	7,859
Repurchase agreements	45 330	-9 888	35 442	-16 532	-18 875	-	36
Total	**255 642**	**-137 354**	**118 288**	**-79 130**	**-18 875**	**-12,390**	**7,895**

[1] All amounts are measured at fair value.

[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

Group

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

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

[1] All amounts are measured at fair value.

[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institutions or as Deposits and borrowings from the public.

Note 40 *Financial instruments set off on balance or subject to netting agreements, cont.*

Parent company

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	207,755	-127,466	80,290	-62,598	-	-7,582	10,111
Reverse repurchase agreements	63,251	-9,888	53,362	-16,532	-36,631	-	199
Total	**271,006**	**-137,354**	**133,652**	**-79,130**	**-36,631**	**-7,582**	**10,310**

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	210,312	-127,466	82,846	-62,598	-	-12,390	7,859
Repurchase agreements	45,330	-9,888	35,442	-16,532	-18,875	-	36
Total	**255,642**	**-137,354**	**118,288**	**-79,130**	**-18,875**	**-12,390**	**7,895**

1 All amounts are measured at fair value.

2 Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institutions or as Deposits and borrowings from the public.

Parent company

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

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

1 All amounts are measured at fair value.

2 Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institutions or as Deposits and borrowings from the public.

Note 40 *Financial instruments set off on balance or subject to netting agreements, cont.*

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence, Nordea would be allowed to benefit from netting both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. The reason why the netted exposures are not reflected under assets and liabilities on the balance sheet, would in most instances depend on the limited application of net settlement of financial transactions.

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

Note 41 Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available for Nordea during the period they are transferred. The counterpart in the transactions holds the securities as collateral, but has no recourse to other assets in Nordea.

The securities are still reported on the balance sheet and the corresponding liabilities are measured at fair value.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Repurchase agreements				
Interest-bearing securities	4,627	11,058	4,627	11,058
Total	**4,627**	**11,058**	**4,627**	**11,058**

Liabilities associated with the assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Repurchase agreements				
Deposits by credit institutions	2,706	6,399	2 706	6,399
Deposits and borrowings from the public	1,921	4,659	1 921	4,659
Total	**4,627**	**11,058**	**4,627**	**11,058**
Net	**0**	**0**	**0**	**0**

Obtained collaterals which are permitted to be sold or repledged

NBF obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the 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.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
EURm	2015	2014	2015	2014
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	40 915	48,465	40,915	48,465
- of which repledged or sold	19 660	38,733	19,660	38,733
Total	**40 915**	**48,465**	**40,915**	**48,465**

Note 42 Maturity analysis for assets and liabilities

Group

Expected maturity

		31 Dec 2015			31 Dec 2014		
		Expected to be recovered or settled:			Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		32,613	-	32,613	28,846	-	28,846
Loans to central banks	13	5,328	-	5,328	300	-	300
Loans to credit institutions	13	20,929	6,160	27,089	26,051	9,000	35,051
Loans to the public	13	45,624	55,823	101,447	56,322	57,426	113,748
Interest-bearing securities	14	9,850	20,293	30,143	12,775	21,868	34,643
Financial instruments pledged as collateral	15	1,504	3,123	4,627	4,065	6,993	11,058
Shares	16	2,019	1	2,020	1,917	1	1,918
Derivatives	17	11,865	68,692	80,557	14,823	90,431	105,254
Fair value changes of the hedged items in portfolio hedge of interest rate risk		3	48	51	2	74	76
Investments in group undertakings	18	-	-	-	-	-	-
Investments in associated undertakings	19	2	40	42	2	37	39
Intangible assets	20	8	36	44	6	41	47
Properties and equipment		6	70	76	7	77	84
Investment properties	22	-	1	1	-	2	2
Deferred tax assets	12	14	0	14	43	0	43
Current tax assets	12	1	-	1	0	-	0
Retirement benefit assets	31	-	90	90	-	25	25
Other assets	23	17,010	5	17,015	14,623	1	14,624
Prepaid expenses and accrued income	24	432	-	432	440	-	440
Total assets		**147,208**	**154,382**	**301,590**	**160,222**	**185,976**	**346,198**
Deposits by credit institutions	25	73,178	4,984	78,162	82,291	5,077	87,368
Deposits and borrowings from the public	26	61,486	667	62,153	76,646	233	76,879
Debt securities in issue	27	19,651	23,756	43,407	26,510	21,962	48,472
Derivatives	17	13,778	69,760	83,538	14,427	88,449	102,876
Fair value changes of the hedged items in portfolio hedge of interest rate risk		50	507	557	35	738	773
Current tax liabilities	12	77	-	77	41	-	41
Other liabilities	28	20,066	-	20,066	18,577	-	18,577
Accrued expenses and prepaid income	29	562	5	567	801	3	804
Deferred tax liabilities	12	36	18	54	41	16	57
Provisions	30	1	80	81	0	85	85
Retirement benefit liabilities	31	1	3	4	3	25	28
Subordinated liabilities	32	-	628	628	-	620	620
Total liabilities		**188,886**	**100,408**	**289,294**	**219,372**	**117,208**	**336,580**

Note 42 *Maturity analysis for assets and liabilities, cont.*

Parent company

Expected maturity

		31 Dec 2015			31 Dec 2014		
		Expected to be recovered or settled:			Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		32,613	-	32,613	28,846	-	28,846
Loans to central banks	13	5,129	-	5,129	300	-	300
Loans to credit institutions	13	24,337	9,170	33,507	30,631	10,160	40,791
Loans to the public	13	41,145	52,918	94,063	52,012	54,627	106,639
Interest-bearing securities	14	9,850	20,293	30,143	12,775	21,868	34,643
Financial instruments pledged as collateral	15	1,504	3,123	4,627	4,065	6,993	11,058
Shares	16	2,019	-	2,019	1,917	-	1,917
Derivatives	17	11,865	68,692	80,557	14,822	90,432	105,254
Fair value changes of the hedged items in portfolio hedge of interest rate risk		3	48	51	2	74	76
Investments in group undertakings	18	-	309	309	-	308	308
Investments in associated undertakings	19	-	28	28	-	28	28
Intangible assets	20	-	31	31	-	35	35
Properties and equipment		-	69	69	-	71	71
Investment properties	22	-	1	1	-	2	2
Deferred tax assets	12	12	-	12	41	-	41
Current tax assets	12	-	-	-	-	-	-
Retirement benefit assets	31	-	90	90	-	25	25
Other assets	23	16,970	-	16,970	14,586	-	14,586
Prepaid expenses and accrued income	24	263	-	263	259	-	259
Total assets		**145,710**	**154,772**	**300,482**	**160,256**	**184,623**	**344,879**
Deposits by credit institutions	25	73,188	4,984	78,172	82,051	5,077	87,128
Deposits and borrowings from the public	26	61,483	667	62,150	76,646	227	76,873
Debt securities in issue	27	19,651	23,756	43,407	26,510	21,962	48,472
Derivatives	17	13,778	69,760	83,538	14,427	88,449	102,876
Fair value changes of the hedged items in portfolio hedge of interest rate risk		50	507	557	35	738	773
Current tax liabilities	12	77	-	77	39	-	39
Other liabilities	28	19,856	-	19,856	18,370	-	18,370
Accrued expenses and prepaid income	29	382	-	382	611	-	611
Deferred tax liabilities	12	-	-	-	-	-	-
Provisions	30	-	78	78	-	82	82
Retirement benefit liabilities	31	-	4	4	-	25	25
Subordinated liabilities	32	-	628	628	-	620	620
Total liabilities		**188,465**	**100,384**	**288,849**	**218,689**	**117,180**	**335,869**

Note 42 *Maturity analysis for assets and liabilities, cont.*

Contractual undiscounted cash flows

Group

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	40,166	66,539	24,891	53,088	36,266	**220,949**
Non interest-bearing financial assets					99,511	**99,511**
Non-financial assets					832	**832**
Total assets	**40,166**	**66,539**	**24,891**	**53,088**	**136,608**	**321,292**
Interest-bearing financial liabilities	48,601	91,441	25,095	23,865	7,411	**196,413**
Non interest-bearing financial liabilities					104,152	**104,152**
Non-financial liabilities and equity					13,089	**13,089**
Total liabilities and equity	**48,601**	**91,441**	**25,095**	**23,865**	**124,652**	**313,654**
Derivatives, cash inflow		546,220	110,138	46,883	9,444	**712,685**
Derivatives, cash outflow		546,781	111,220	52,935	9,916	**720,853**
Net exposure	**0**	**-561**	**-1,081**	**-6,052**	**-472**	**-8,167**
Exposure	**-8,435**	**-25,463**	**-1,286**	**23,171**	**11,483**	**-529**
Cumulative exposure	**-8,435**	**-33,898**	**-35,184**	**-12,013**	**-529**	

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

Note 42 *Maturity analysis for assets and liabilities, cont.*

Contractual undiscounted cash flows

Parent company

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	**Total**
Interest-bearing financial assets	40,153	66,728	24,927	53,695	34,131	**219,633**
Non interest-bearing financial assets					99,859	**99,859**
Non-financial assets					541	**541**
Total assets	**40,153**	**66,728**	**24,927**	**53,695**	**134,531**	**320,033**
Interest-bearing financial liabilities	48,601	91,442	25,099	23,866	7,412	**196,420**
Non interest-bearing financial liabilities					103,952	**103,952**
Non-financial liabilities and equity					12,174	**12,174**
Total liabilities and equity	**48,601**	**91,442**	**25,099**	**23,866**	**123,538**	**312,546**
Derivatives, cash inflow		546,220	110,138	46,883	9,444	**712,685**
Derivatives, cash outflow		546,781	111,220	52,935	9,916	**720,853**
Net exposure	**0**	**-561**	**-1,081**	**-6,052**	**-472**	**-8,167**
Exposure	**-8,448**	**-25,275**	**-1,253**	**23,776**	**10,521**	**-680**
Cumulative exposure	**-8,448**	**-33,723**	**-34,977**	**-11,201**	**-680**	

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

The table is based on contractual maturities for the balance sheet items. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 13,613m (16,021), which could be drawn on at any time.

NBF has also issued guarantees of EUR 11,081 m (13,283) which may lead to future cash outflows if certain events occur.

Note 43 Related-party transactions

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

Group

	Nordea Group undertakings		Nordea Group associated undertakings		Other related parties	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Assets						
Loans	25,580	31,145	164	185	-	-
Interest-bearing securities	2,115	2,750	73	57	-	-
Financial instruments pledged as collateral	286	1,823	-	-	-	-
Derivatives	3,909	4,455	76	218	-	-
Other assets	1,860	2,193	-	-	-	-
Prepaid expenses and accrued income	14	24	-	-	-	-
Total assets	**33,764**	**42,390**	**313**	**460**	**-**	**-**
Liabilities						
Deposits	47,061	52,794	4	106	11	1
Debt securities in issue	587	759	-	0	-	-
Derivatives	5,925	7,398	112	154	-	-
Subordinated liabilities	550	550	-	-	-	-
Other liabilities	85	230	-	-	-	-
Accrued expenses and deferred income	204	210	-	-	-	-
Total liabilities	**54,412**	**61,941**	**116**	**260**	**11**	**1**
Off balance[1]	**248,344**	**242,058**	**3,337**	**4,123**	**-**	**-**

[1] Including nominal values on derivatives.

Group

EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Net interest income	85	162	2	3	0	-
Net fee and commission income	-454	-477	1	1	0	1
Net result from items at fair value	790	-1,237	246	-102	-	-
Other operating income	18	76	0	0	-	-
Total operating expenses	-189	-194	0	0	-	-
Profit before loan losses	**250**	**-1,670**	**249**	**-98**	**0**	**1**

Parent company

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Assets						
Loans	32,004	36,892	142	121	-	-
Interest-bearing securities	2,115	2,750	-	-	-	-
Financial instruments pledged as collateral	286	1,823	-	-	-	-
Derivatives	3,909	4,455	4	4	-	-
Investments in associated undertakings	-	-	28	28	-	-
Investments in group undertakings	309	309	-	-	-	-
Other assets	1,860	2,032	-	-	-	-
Prepaid expenses and accrued income	21	31	-	-	-	-
Total assets	**40,504**	**48,292**	**174**	**153**	**-**	**-**

Note 43 *Related-party transactions, cont.*

Parent company

EURm	Group undertakings 31 Dec 2015	Group undertakings 31 Dec 2014	Associated undertakings 31 Dec 2015	Associated undertakings 31 Dec 2014	Other related parties 31 Dec 2015	Other related parties 31 Dec 2014
Liabilities						
Deposits	47,071	52,553	4	1	11	1
Debt securities in issue	587	759	-	-	-	-
Derivatives	5,925	7,398	-	0	-	-
Subordinated liabilities	550	550	-	-	-	-
Other liabilities	85	230	-	-	-	-
Accrued expenses and deferred income	136	138	-	-	-	-
Total liabilities	**54,354**	**61,628**	**4**	**1**	**11**	**1**
Off balance[1]	**248,700**	**242,773**	**93**	**141**	**-**	**-**

[1] Including nominal values on derivatives.

Parent company

EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Net interest income	101	191	2	3	0	-
Net fee and commission income	-387	-416	0	0	0	1
Net result from items at fair value	790	-1,237	1	-2	-	-
Other operating income	22	13	-	-	-	-
Total operating expenses	-190	-186	-	-	-	-
Profit before loan losses	**336**	**-1,635**	**3**	**1**	**0**	**1**

The terms “group undertakings” and “associated undertakings” refer to group undertakings and associated undertakings of the Nordea Group. Related-party transactions of Nordea Bank Finland Group and the Nordea Group are included in group undertakings of the parent company. Comparative figures have been updated accordingly.

Compensations and loans and receivables to key management personnel

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

Note 44 Credit risk disclosure

Credit risk management and credit risk analysis are 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 2015 (Pillar III), which is available at www.nordea.com.

Group

Exposure types, EURm	31 Dec 2015	31 Dec 2014
On-balance sheet items	139,617	146,714
Off-balance sheet items	11,828	10,262
Securities financing	4,828	4,063
Derivatives	24,437	31,563
Exposure At Default (EAD)	**180,710**	**192,603**

Tables presented in this note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet
This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in Capital Requirements Regulation (CRR). The main differences are outlined in this section to illustrate the link between the different reporting methods.

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

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reverse repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reverse repurchase agreements, positive fair value for derivatives and interest-bearing securities)
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit)

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

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

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

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

- “Assets pledged as security for own liabilities” and “Other assets pledged” (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type)
- Derivatives

Derivatives and securities financing
Derivatives can be both on-balance sheet (i.e. positive fair value) and off-balance (i.e. nominal amounts) in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

On-balance sheet items

Group

31 Dec 2015, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items excluded from CCR scope of consolidation	Other	Balance sheet
Cash and balances with central banks	32,613	0	0	0	0	32,613
Loans to central banks and credit institutions	23,817	0	8,596	4	0	32,417
Loans to the public	67,210	0	34,878	-6	-635	101,447
Interest-bearing securities and pledged instruments	14,850	19,921	0	0	0	34,771
Derivatives[1]	0	0	80,557	0	0	80,557
Intangible assets	0	0	0	0	44	44
Other assets and prepaid expenses	1,175	17,297	116	70	1,083	19,742
Total assets	**139,665**	**37,218**	**124,147**	**68**	**491**	**301,590**
Exposure at default[2]	**139,617**					

[1] Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.
[2] The on-balance exposure have a CCF of 100%, but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

On-balance sheet items

Group

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

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

Group

31 Dec 2015, EURm	Credit risk in accordance with CRR	Off-balance sheet
Contingent liabilities	12,432	12,432
Commitments	13,972	13,972
Total	**26,404**	**26,404**

31 Dec 2015, EURm	Credit risk in accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	5,810	4,611	10,421	38%	3,945
Checking accounts	7,157		7,157	44%	3,121
Loan commitments	979	347	1,326	44%	579
Guarantees	11,646		11,646	34%	3,926
Other	812		812	32%	257
Total	**26,404**	**4,958**	**31,362**		**11,828**

31 Dec 2014, EURm	Credit risk in accordance with CRR	Off-balance sheet
Contingent liabilities	14,906	14,906
Commitments	16,790	16,790
Total	**31,696**	**31,696**

31 Dec 2014, EURm	Credit risk in accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	8,610	4,036	12,646	37%	4,724
Checking accounts	7,312		7,312	37%	2,695
Loan commitments	857	287	1,144	45%	520
Guarantees	13,747		13,747	15%	2,017
Other	1,171		1,171	26%	306
Total	**31,696**	**4,323**	**36,019**		**10,262**

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (i.e. statistical classification codes of economic activities in the European community). The banks is the largest sector which together with other, public and organisations are the only industries that account for more than 7% of the total exposure of EUR 181bn. The largest nominal increase was found within the other, public and organisations industry and the largest relative increase was found within the industrial capital goods industry. The highest nominal decrease was found within the banks sector and the highest relative decrease was found within the energy industry.

Group

EURm	31 Dec 2015	31 Dec 2014
Banks	68,937	76,007
Construction and engineering	1,387	1,265
Consumer durables (cars, appliances, etc.)	1,705	1,504
Consumer staples (food, agriculture etc.)	2,099	2,660
Energy (oil, gas, etc.)	591	1,352
Health care and pharmaceuticals	810	914
Industrial capital goods	2,809	2,151
Industrial commercial services	3,396	3,574
IT software, hardware and services	743	769
Media and leisure	859	862
Metals and mining materials	242	270
Other financial institutions	8,638	12,001
Other materials (chemical, building materials etc.)	2,538	2,652
Other, public and organisations	57,570	56,617
Paper and forest materials	1,451	1,148
Real estate management and investment	12,273	13,150
Retail trade	3,437	3,757
Shipping and offshore	4,540	5,268
Telecommunication equipment	172	161
Telecommunication operators	715	613
Transportation	2,134	1,914
Utilities (distribution and production)	3,664	3,993
Total exposure	**180,710**	**192,603**

Collateral distribution

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

Group

EURm	31 Dec 2015	31 Dec 2014
Financial Collateral	2%	2%
Receivables	2%	2%
Residential Real Estate	74%	73%
Commercial Real Estate	11%	10%
Other Physical Collateral	12%	13%
Total	**100%**	**100%**

Collaterised Debt Obligations (CDO) - Exposure[1]

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and 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 counterparty credit risk in similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements. CDO valuations are subject to fair value adjustments for model risk. These fair value adjustments are recognised in the income statement.

Group and parent company

	31 Dec 2015		31 Dec 2014	
Nominals, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	788	1,854	1,204	1,691
Hedged exposures	754	754	1,005	1,004
CDOs, net[2]	**34[3]**	**1,100[4]**	**199[3]**	**687[4]**
- of which Equity	3	74	20	67
- of which Mezzanine	10	539	98	370
- of which Senior	21	487	81	250

[1] First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 15m (47) and net sold protection to EUR 64m (46). 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 0m (90) and sub investment grade EUR 34m (109).

[4] Of which investment grade EUR 538m (423) and sub investment grade EUR 563m (264) and not rated EUR 0m (0).

Assets taken over for protection of claims[1]

	Group		Parent company	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Current assets, carrying amount:				
Shares and other participations	1	2	1	2
Other assets	1	1	1	1
Total	**2**	**3**	**2**	**3**

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

Past due loans, excl. impaired loans

The table below shows past due loans not impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2015 EUR 245m up from EUR 223m one year ago. Past due loans for household customers increased to EUR 565m (280).

	Group				Parent company			
	31 Dec 2015		31 Dec 2014		31 Dec 2015		31 Dec 2014	
EURm	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	146	364	80	147	103	358	27	125
31-60 days	48	108	64	91	39	106	27	80
61-90 days	14	35	50	42	10	34	18	40
>90 days	37	58	28	0	26	32	20	0
Total	**245**	**565**	**223**	**280**	**177**	**530**	**92**	**244**
Past due not impaired loans divided by loans to the public after allowances, %	0.39	1.53	0.29	0.77	0.30	1.56	0.13	0.73

Note 44 *Credit risk disclosure, cont.*

Loans to corporate customers, by size of loan
The distribution of loans to corporate customers by size of loans shows that approximately 81% of the corporate volume represents loans up to EUR 50m.

	Group				Parent company			
EURm	31 Dec 2015	%	31 Dec 2014	%	31 Dec 2015	%	31 Dec 2014	%
0-10	34,723	55.0	42,561	55.8	32,326	55.0	40,213	55.8
10-50	16,250	25.7	19,552	25.6	15,128	25.7	18,473	25.6
50-100	5,321	8.4	5,673	7.4	4,954	8.4	5,360	7.4
100-250	6,089	9.6	7,433	9.8	5,669	9.6	7,023	9.8
250-500	796	1.3	1,018	1.3	741	1.3	962	1.3
500-	0	0.0	0	0.0	0	0.0	0	0.0
Total	**63,179**	**100.0**	**76,238**	**100.0**	**58,818**	**100.0**	**72,031**	**100.0**

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

Note 45 Interests in structured entities

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

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

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

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

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

NBF's interests in unconsolidated structured entities and any related liability are disclosed in the table below:

EURm	Group 31 Dec 2015	Parent company 31 Dec 2015
Assets, carrying amount		
Loans to credit institutions	-	-
Shares	592	592
Total assets	**592**	**592**
Liabilities		
Deposits and borrowings from the public	-	-
Liabilities to policy holders	-	-
Derivatives	109	109
Total liabilities	**109**	**109**
Off balance, nominal amount		
Loan commitments	-	-

NBF has not sponsored any unconsolidated structured entity in which NBF does not currently have an interest.

Note 46 Country by country reporting

In accordance with the requirements under the Act on Credit Institutions, the table below presents for each country where NBF is established, i.e. where NBF has a physical presence, information about the businesses, the geographical area, average number of employees, total operating income, operating profit and income tax expense. NBF is considered to have physical presence in a country if NBF has a subsidiary, associated undertaking or branch in that country. NBF has not received any significant government subsidies.

Group

			2015			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	WB	Denmark	-	281	250	-59
Finland	RB, WB	Finland	7,096	1,692	751	-184
Sweden	WB	Sweden	-	152	131	-29
Norway	WB	Norway	-	108	101	-27
Estonia	WB	Estonia	-	24	12	-3
Latvia	WB	Latvia	-	15	12	-2
Lithuania	WB	Lithuania	-	14	12	-1
United Kingdom	WB	London	-	9	9	-2
United States	RB, WB	New York	116	140	93	-37
Singapore	RB, WB	Singapore	73	50	31	-3
Total			**7,285**	**2,485**	**1,402**	**-347**

[1] RB= Retail banking, WB=Wholesale banking

[2] Total operating income presented in this table is split on countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note 2 is split on countries based on the location of the customers´ operations.

Note 47 Nordea shares

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

	Acquisitions			**Sales**		
Month	Quantity	Average acq.price	Amount, EUR	Quantity	Average price	Amount, EUR
January	5,133,896	10.21	52,404,183.36	-5,655,775	10.26	-58,022,605.89
February	2,752,196	11.48	31,604,067.52	-3,452,839	11.53	-39,820,460.05
March	5,729,711	12.08	69,194,161.98	-4,061,226	11.95	-48,546,175.66
April	2,412,835	11.67	28,152,409.28	-4,293,960	11.67	-50,121,438.45
May	4,625,617	11.56	53,481,511.93	-3,416,882	11.60	-39,630,231.03
June	4,057,658	11.56	46,919,995.72	-2,627,820	11.59	-30,468,005.93
July	3,801,147	11.40	43,335,351.80	-3,491,281	11.38	-39,734,219.12
August	2,863,191	10.66	30,528,433.86	-2,904,257	10.61	-30,800,059.02
September	2,554,635	10.31	26,330,647.01	-2,683,284	10.30	-27,638,025.94
October	2,336,772	10.34	24,155,149.75	-2,247,832	10.32	-23,207,076.38
November	5,284,354	10.27	54,249,503.31	-5,978,349	10.25	-61,289,775.50
December	4,315,954	9.97	43,026,205.72	-3,412,490	9.94	-33,922,461.07
	45,867,966		503,381,621.25	-44,225,995		-483,200,534.05

The quota value of the Nordea Bank AB (publ) share is EUR 1.00. The trades had an insignificant effect on the shareholding and voting-power in Nordea Bank AB (publ). At year-end 2015 NBF owned 6,470,948 shares of the parent company.

Note 48 Transferred operations

Transferred international operations[1]
(Frankfurt and London)

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

[1] The operations of Frankfurt and London branches were transferred to Nordea Bank AB (publ) on 1 January 2015.

Transferred Baltic operations[2]

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

[2] The operations of the Baltics branches and the majority of the Baltic subsidiaries were transferred to Nordea Bank AB (publ) on 1 April 2014.

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

The parent company's distributable funds on 31 December 2015 were EUR 8,665,706,000.51 of which the profit for the year was EUR 1,001,571,275.51. The Board of Directors proposes that

1. a dividend of EUR 780,000,000.00 be paid
2. whereafter the distributable funds will be EUR 7,885,706,000.51.

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

Helsinki, 26 February 2016

Heikki Ilkka

Erik Ekman

Carl-Johan Granvik

Lennart Jacobsen

Topi Manner
President

The Auditor's Note

Our auditors' report has been issued today.

Helsinki, 26 February 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant

Auditors' report

(Translation from the Finnish Original)

To the Annual General Meeting of Nordea Bank Finland Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Nordea Bank Finland Plc for the year ended 31 December, 2015. The financial statements comprise both the consolidated and the parent company's statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion

In our opinion,

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

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 26 February 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant

Management and auditors

Management

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

Ari Kaperi acted as the President of Nordea Bank Finland Plc and Topi Manner as his deputy until 31 August 2015.

The Board elected Topi Manner as President and Jukka Perttula as President's deputy as from 1 September 2015.

Board of Directors until 26 January 2016

Torsten Hagen Jørgensen, Chairman
Born 1965. Member during 2013-26 Jan 2016.
Deputy CEO and Group Chief Operating Officer (COO)

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

Casper von Koskull, Vice Chairman
Born 1960. Member during 2010-26 Jan 2016.
President and Group Chief Executive Officer (CEO) in the Nordea Group

Gunn Wærsted
Born 1955. Member during 2010-26 Jan 2016.
Chief Executive Officer in Nordea Bank Norge ASA, Head of Wealth Management and Country Senior Executive in Norway

Board of Directors as from 27 January until 11 February 2016

Heikki Ilkka, Chairman
Born 1970. Member since 27 Jan 2016.
Group Chief Financial Officer (CFO), Head of Group Finance and Business Control

Johan Ekwall
Born 1963. Member during 27 Jan -11 Feb 2016.
Deputy Head of Chief of Staff Office

Erik Ekman, Vice Chairman
Born 1969. Member since 27 Jan 2016.
Head of Wholesale Banking

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

Board of Directors as from 12 February 2016

Heikki Ilkka, Chairman
Born 1970. Member since 27 Jan 2016.
Group Chief Financial Officer (CFO), Head of Group Finance and Business Control

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

Erik Ekman, Vice Chairman
Born 1969. Member since 27 Jan 2016.
Head of Wholesale Banking

Lennart Jacobsen
Born 1966. Member since 12 February 2016.
Head of Retail Banking, Country Senior Executive in Sweden

Auditors

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

PricewaterhouseCoopers Oy
Authorised Public Accountants

Auditor with main responsibility
Juha Wahlroos
Authorised Public Accountant

Corporate Governance Report 2015

Application by Nordea Bank Finland Plc

Nordea Bank Finland Plc is a wholly-owned subsidiary of Nordea Bank AB (publ), the listed parent company of the whole Nordea Group. The Nordea Group is referred to as “Nordea”. A description of corporate governance in Nordea during the most recent financial year is included in the 2015 Annual Report of Nordea Bank AB (publ). All the operations of Nordea Bank Finland Plc are integrated into the operations of the Nordea Group. Nordea has established the corporate governance framework at group level and the framework is reviewed on a continuous basis. Information on corporate governance in Nordea and this report are available on www.nordea.com. Nordea Bank Finland Plc has given a description of governance arrangements in accordance with the Act on Credit Institutions available on www.nordea.fi.

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

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

Nordea Bank Finland Plc submits this Corporate Governance report as an issuer of bonds. This report has been prepared mainly following the guideline on Corporate Governance Statement in the new Finnish Corporate Governance Code as it is voluntary to apply the new Corporate Governance Code for reports relating to the reminder of the financial period ending on 31 December 2015. This report is submitted as a separate report from the Annual Report 2015 and it is available on www.nordea.com.

The Board of Directors and the Board Audit Committee of Nordea Bank Finland Plc have reviewed this Corporate Governance Report.

On Internal Governance in Nordea Bank Finland Plc

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

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

The Board of Directors
The Board of Directors of Nordea Bank Finland Plc consists at the moment of four members, one of which is an external board member. According to the Articles of Association, the Board of Directors shall consist of not less than four and not more than seven members. The Board of Directors shall appoint the Chairman and the Deputy Chairman of the Board.

Members of the Board of Directors of Nordea Bank Finland Plc until 26 January 2016 were Torsten Hagen Jørgensen (Chairman), Casper von Koskull (Deputy Chairman), Carl-Johan Granvik and Gunn Wærsted.

As from 27 January 2016 until 11 February 2016 the members of the Board were Heikki Ilkka (Chairman), Erik Ekman (Deputy Chairman), Johan Ekwall and Carl-Johan Granvik.

As from 12 February 2016 the members of the Board are Heikki Ilkka (Chairman), Erik Ekman (Deputy Chairman), Carl-Johan Granvik and Lennart Jacobsen.

Further information on the members of the Board of Directors can be found in the section of “Management and auditors” in the Annual Report 2015 of NBF and on www.nordea.fi.

The term of office of the members of the Board of Directors shall continue until further notice. The retirement age for members of the Board of Directors shall be 70.

Of the members of the Board of Directors Carl-Johan Granvik is independent of Nordea Bank Finland Plc and its shareholders. Torsten Hagen Jørgensen, Casper von Koskull and Gunn Wærsted (board members until 26 January 2016), Heikki Ilkka and Erik Ekman (board members as from 27 January 2016), all members of Nordea Group Executive Management are all employees in the Nordea Group. Johan Ekwall (board member as from 27 January 2016 until 11 February 2016) and Lennart Jacobsen (board member as from 12 February 2016), member of Nordea Group Executive Management, are both employees in the Nordea Group. None of them take part in the day-to-day management of Nordea Bank Finland Plc.

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

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

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

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

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

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

It is particularly incumbent upon the Board of Directors to:

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

The Board has approved a policy for the Bank in order to advance diversity in the composition of the Board. The gender balance shall be promoted when appointing members of the Board of Directors. The Bank shall strive for equal gender distribution between the genders and shall actively scout for suitable board member candidates of both genders in order to ensure that the equal representation of the genders in the board will be achieved and maintained.

Board committees

The Board of Directors of Nordea Bank Finland Plc has four Board committees: the Nomination Committee, the Remuneration Committee, the Risk Committee and the Audit Committee. Each committee has tasks set out to it in the Act on Credit Institutions.

The composition of the committees until 26 January 2016:

Nomination Committee	Torsten Hagen Jørgensen, Chairman Gunn Wærsted
Remuneration Committee	Casper von Koskull, Chairman Gunn Wærsted
Risk Committee	Carl-Johan Granvik, Chairman Casper von Koskull
Audit Committee	Carl-Johan Granvik, Chairman Torsten Hagen Jørgensen

The composition of the committees as from 27 January 2016 until 11 February 2016:

Nomination Committee	Heikki Ilkka, Chairman Johan Ekwall
Remuneration Committee	Johan Ekwall, Chairman Erik Ekman
Risk Committee	Carl-Johan Granvik, Chairman Erik Ekman
Audit Committee	Carl-Johan Granvik, Chairman Heikki Ilkka

The composition of the committees as from 12 February 2016:

Nomination Committee	Heikki Ilkka, Chairman Lennart Jacobsen
Remuneration Committee	Lennart Jacobsen, Chairman Erik Ekman
Risk Committee	Carl-Johan Granvik, Chairman Erik Ekman
Audit Committee	Carl-Johan Granvik, Chairman Heikki Ilkka

The Nomination Committee shall assist the Board or general meeting in matters regarding nomination and election of board members and senior management.

The Remuneration Committee shall provide the Board support with preparation of decisions and governance regarding remuneration issues, including those which have implications for the risk and risk management of Nordea Bank Finland Plc.

The Risk Committee shall provide the Board support in matters relating to Nordea Bank Finland Plc's risk strategy and risk taking. The Risk Committee shall further monitor that the President complies with the risk strategy the Board has decided.

The Audit Committee shall assist the Board in fulfilling its oversight responsibilities inter alia in monitoring and controlling Nordea Bank Finland Plc's financial reporting process, the effectiveness of the internal control, internal audit and risk management systems, the statutory audit of the annual and consolidated accounts and auditor's independency and preparation of election of the external auditor.

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

The President of Nordea Bank Finland is Topi Manner and Jukka Perttula acts as his deputy. Further information on the President can be found at www.nordea.fi.

The President of NBF has established a management group to assist and support him in the management of the daily operations of NBF. The management group consists of the President, the CFO of NBF, the CRO of NBF, the Secretary of the Board of NBF, the Head of Retail Banking Finland, the Head of Wholesale Banking Finland and the Head of Wealth Management Finland. President Topi Manner is the Head of Retail Banking Finland.

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

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

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

During the year 2015 NBF has nominated a compliance officer, who has taken the legal compliance responsibility role for Nordea Bank Finland, coordinating all compliance activities targeted to the Finnish bank and being the point of contact for local supervisors.

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

Report on the key aspects of the systems for internal control and risk management regarding financial reports for the Financial Year 2015
Nordea Bank Finland Plc belongs to the Nordea Group and the internal control and risk management systems in relation to the financial reporting process are organised at Nordea level. Financial reporting processes are fully integrated within Nordea. The Board of Directors of Nordea Bank Finland Plc monitors financial and risk reporting at Nordea Bank Finland Plc level and has dealt with the risk reports at Nordea Bank Finland Plc level. Nordea Bank Finland Plc complies with the Group directives and supporting instructions to the extent applicable.

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

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

Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. In the first line of defence, the business organisation and Group Functions are risk owners, and thus responsible for conducting their business within risk exposure limits and the risk appetite and in accordance with the decided internal control and risk management framework. As the second line of defence, the centralised risk control functions are responsible for activities such as, identifying, assessing, monitoring, controlling and reporting of issues related to all key risks including compliance with internal and external frameworks. Group Internal Audit (GIA), which is the third line of defence, performs audits and provides assurance to stakeholders on governance, risk management, and control processes.

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

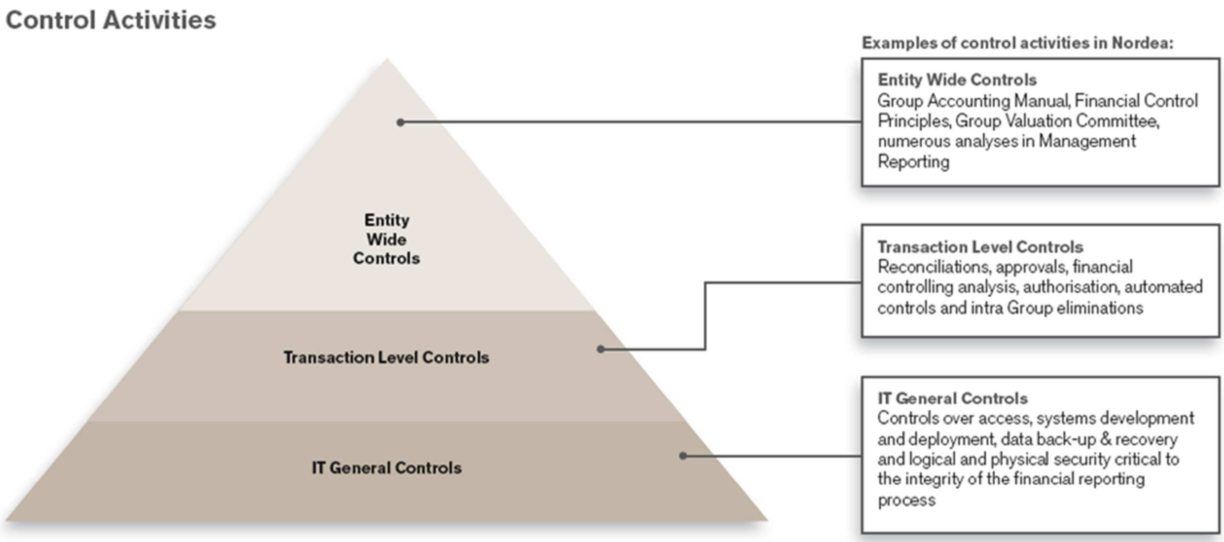
Control Environment
The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Board of Directors and Group Executive Management of Nordea Bank AB (publ).

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

Clear roles and responsibilities are critical in the governance of Internal Control over Financial reporting where the risk owners in the business areas and the Group Finance & Business Control are responsible for the risk management activities. A risk management function supports the risk owners in maintaining a Group wide set of controls, in line with the risk framework, which covers the controlling of risks and the risk identification process, that to a large extent is based on the actual business and financial closing processes in place. An independent risk control function that is responsible for identifying, controlling and reporting on financial reporting risk has been established in Group Risk Management (GRM). On top of that, the internal audit function is providing the Group Board with an assessment of the overall effectiveness of the governance, risk management and control processes.

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

Risk assessment in relation to reliable financial reporting involves the identification and analysis of risks of material misstatements. Financial risk control work in Nordea only focuses on risks and processes which could lead to material financial misstatements, i.e. if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item. Structured risk assessment procedures determine in which divisions, locations and/ or processes risks for material financial misstatements exist and therefore will need to be monitored under the Accounting Key Control (AKC) framework to ensure reasonable assurance of the reliability of Nordea's external financial reporting.



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

AKC control structure is based on that Transaction Level Controls are identified through analysing risks based on high level processes with an end-to-end product focus. After deciding on the TLCs, an analysis is performed to decide what systems/applications are in scope for AKC. The analysis aims at scoping in the major systems where there is a risk that data becomes corrupt without being detected in the TLC control structure.

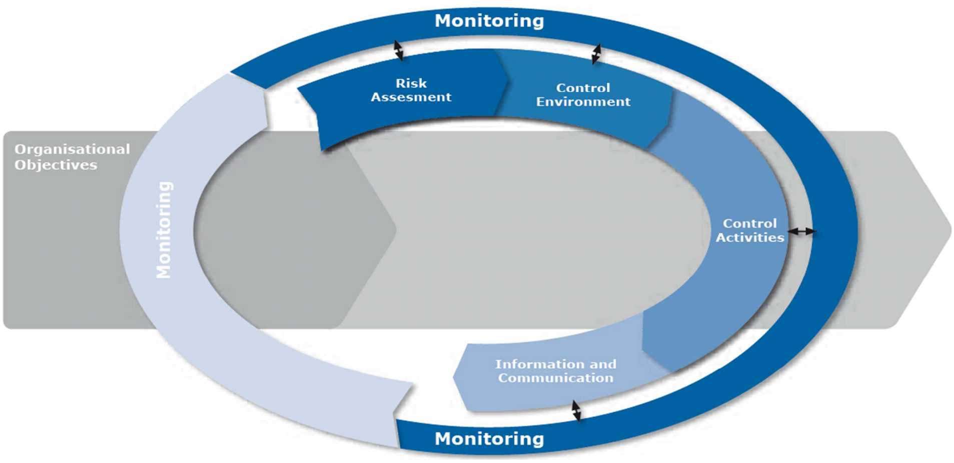
The quality assurance vested in the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls in which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

Information & Communication
Group Finance & Business Control is responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated with the responsible units. These governing documents are broken down into instructions and standard operating procedures in the responsible units. Accounting specialists from Group Finance & Business Control continuously provide accountants and controllers with information on changes in existing and updated rules and regulations with an impact on Nordea.

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

The Accounting Key Control (AKC) reporting procedures provide management at different levels in the organisation with information related to the performance and assessment of the identified AKCs in the form of Process Owner reports and Management Dashboard reports with summary of assessment outcome and high risk areas.

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



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

The Board of Directors, the Board Audit Committee and the Board Risk Committee of Nordea Bank AB (publ), as well as Group Internal Audit (GIA) have important roles with respect to monitoring the internal control of financial reporting in the whole Nordea Group. Similarly the Board of Directors and the Board Audit Committee of Nordea Bank Finland Plc have an important role with regard to monitoring internal control in financial reporting in the Nordea Bank Finland Group.

Group Finance & Business Control has also established a specific Internal Control report of Financial Reporting to the Group CFO covering risk management and high risk areas. The independent risk control function within GRM reports specifically on financial reporting risk to the Board Audit Committee and the CEO in Group Executive Management.

GIA is an independent function commissioned by the Board of Directors of Nordea Bank AB (publ). The Board Audit Committee of Nordea Bank AB (publ) is responsible for guidance on and evaluation of GIA within the Nordea Group and the Board Audit Committee of Nordea Bank Finland Plc within the Nordea Bank Finland Group. GIA does not engage in consulting activities unless the Board Audit Committee of Nordea Bank AB (publ) gives it special assignments. The objective of GIA is, on the basis of its audits, to provide the Board of Directors with an assessment of the overall effectiveness of the governance, risk management and control processes.

The Board Audit Committee of Nordea Bank Finland Plc handles and the Board of Directors of Nordea Bank Finland Plc approves GIA's Internal Audit Annual Plan for Nordea Bank Finland Plc and inspects GIA's semi-annual Internal Audit Report on Nordea Bank Finland Plc. The same material is also presented to the Management Group of Nordea Bank Finland Plc, before it is submitted to the Board Audit Committee and the Board of Directors of Nordea Bank Finland Plc.

The Board Audit Committee of Nordea Bank Finland Plc also assists the Board of Directors of Nordea Bank Finland Plc in fulfilling its oversight responsibilities by, for instance, monitoring the Nordea Bank Finland Group's financial reporting process, and in relation thereto, the effectiveness of the internal control and risk management systems established by the Board of Directors, the CEO and Group Executive Management (GEM), as well as the Board of Directors of Nordea Bank Finland Plc, including the effectiveness of GIA. The Board Audit Committee of Nordea Bank Finland Plc is further accountable for keeping itself informed as to the statutory audit of the annual and consolidated accounts and reviewing and monitoring the impartiality and independence of the external auditors, and in particular the provision of additional services to the Nordea Bank Finland Group.

Auditors

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

The current auditor:

PricewaterhouseCoopers Oy
Authorised Public Accountants

Auditor with main responsibility
Juha Wahlroos
Authorised Public Accountant

This Corporate Governance Report has not been reviewed by the external auditors and the report is not part of the formal financial statements.

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