

# Associated Company Nordea Bank AB

Nordea, the largest bank in the Nordic region, 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 capitalization. The Nordea share is listed on the Nasdaq exchanges in Stockholm, Helsinki and Copenhagen. In Sampo Group's reporting Nordea is treated as an associated company and is included in the segment Holding.

On 31 December 2015 Sampo plc held 860,440,497 Nordea shares corresponding to a holding of 21.25 per cent. The average price paid per share amounted to EUR 6.46 and the book value in the Group accounts was EUR 8.49 per share. The closing price as at 30 December 2015 was EUR 10.15.

Nordea's Board of Directors proposes to the AGM 2016 a dividend of EUR 0.64 per share (0.62). The

Board has also decided on a new dividend policy: Nordea strives to maintain a strong capital position in line with Nordea's capital policy. The ambition is to achieve a yearly increase in the dividend per share.

If the AGM approves the Board's dividend proposal, Sampo plc will receive a dividend of EUR 551 million from Nordea on 30 March 2016.

## Results\*

Nordea Bank AB, 2015

EURm	2015	2014	Change, %
Net interest income	5,110	5,482	-7
Total operating income <sup>**) </sup>	9,964	9,864	1
Profit before loan losses <sup>**) </sup>	5,270	4,998	5
Net loan losses	-479	-534	-10
Operating profit <sup>**) </sup>	4,791	4,464	7
Diluted EPS, (total.oper.), EUR	0.91	0.83	
Return on equity <sup>**) </sup> , %	12.3	11.5	

<sup>\*)</sup> Key figures for continuing operations, following divestment of Polish banking, financing and life insurance operations.

<sup>\*\*)</sup>  Excluding non-recurring items (Q2/2014: restructuring charge of EUR 190 million, Q3/2014: gain from the divestment of Nets EUR 378 million and of intangible assets EUR 344 million, Q4/2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176 million before tax and restructuring charge of EUR 263 million).

The following text is based on Nordea's full-year 2015 result release published on 27 January 2016.

2015 was a challenging year with exceptionally low interest rates, geopolitical tensions and market turmoil. Under these market conditions Nordea reported an increase in the income level of 3 per cent in local currencies (1 per cent in euros) and delivered a reduction of 4 per cent in costs to EUR 4.7 billion in

line Nordea's target. In addition, the credit quality improved during the year. Consequently, the operating income was up 9 per cent in local currencies (7 per cent in euros) from last year excluding non-recurring items.

Net interest income was down 4 per cent in local currencies (-7 per cent in euros) from last year. Net interest income was under severe pressure due to

lower interest rates, while the savings operations were the main growth driver.

Net fee and commission income increased 8 per cent in local currencies (6 per cent in euros) and the net result from items at fair value increased by 19 per cent in local currencies (20 per cent in euros) from last year.

Total expenses were down 1 per cent in local currencies (-4 per cent in euros) compared from previous year excluding non-recurring items. Staff costs were up 4 per cent in local currencies excluding restructuring costs.

The cost-to-income ratio for continuing operations improved 2.2 percentage points to 47.1 per cent which is the best ratio Nordea has ever reported.

Net loan loss provisions decreased to EUR 479 million, corresponding to a loan loss ratio of 14 basis points (15 basis points for full year 2014).

Net profit increased 11 per cent in local currencies (9 per cent in euros) to EUR 3,662 million.

Currency fluctuations had a reducing effect of 2 percentage points on income and expenses and no effect on loan and deposit volumes compared to a year ago.

The Group's Basel III Common equity tier 1 (CET1) capital ratio increased to 16.5 per cent at the end of the fourth quarter from 16.3 per cent at the end of the third quarter 2015. The CET1 capital ratio increase was due to reduced REA, somewhat offset by decreased CET1 capital.

The tier 1 capital ratio increased to 18.5 per cent, up 0.3 per cent from previous quarter and the total capital ratio increased from 21.3 per cent to 21.6 per cent.

REA was EUR 143.3 billion in the fourth quarter, a decrease of EUR 3.4 billion compared to the previous quarter. The reduction is a combination of decreased market risk for internal models, reduced counterparty credit risk and a decrease of the article 3 buffer due to implementation in the credit risk models.

The CET1 capital was EUR 23.6 billion, the tier 1 capital was EUR 26.5 billion and the own funds were EUR 30.9 billion. The capital requirement based on Basel 1 transitional rules was EUR 17.7 billion and the adjusted own funds were EUR 31.2 billion.

The coming three years will be a transition period in which Nordea will execute on transformational change agenda in order to generate a truly digital bank. The bank will initiate certain key activities to manage the transition efficiently, which led to a restructuring charge of EUR 263 million in the fourth quarter. Together with the investments in Nordea's core banking platform, the outcome of this transformational agenda will lead to a more efficient and straightforward structure and reduce administrative complexity.

As communicated in the Q2 2015 report, Nordea is working on simplifying its legal structure with the aim to change the Norwegian, Danish and Finnish subsidiary banks to branches of the Swedish parent company by means of cross-border mergers. The preparations are progressing as planned including the ability to present a proposal to the AGM in March. The changes to the legal structure depend among other on regulatory approvals and a satisfactory outcome of discussion with the local authorities.

For more information on Nordea Bank AB and its results for 2015, see [www.nordea.com](http://www.nordea.com).