Nordea

NORDEA BANK ABP

(a public limited liability company organised under the laws of Finland)

Programme for the Issuance of Warrants and Certificates

Nordea Bank Abp ("**Nordea**", "**Nordea Bank Abp**" or the "**Issuer**") has established a programme for the issuance of warrants and certificates (the "**Programme**"). The Issuer may from time to time issue warrants and certificates (the "**Instruments**") under the Programme on an unsubordinated basis, denominated in any currency. Instruments issued pursuant to the Programme may include Instruments issued in registered form ("**Registered Instruments**") and Instruments designated by an Issuer as "**VP Instruments**", "**VPS Instruments**", "**Finnish Instruments**" or "**Swedish Instruments**".

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Instruments that are subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Instruments. Such approval relates only to Instruments issued under the Programme within twelve months after the date hereof which are admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") and / or which are to be offered to the public in any Member State of the European Economic Area. Application will be made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for Instruments issued under the Programme within twelve months after the date hereof to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Regulated Market**"). The Regulated Market of Euronext Dublin is a regulated market for the purposes of MiFID II. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

This Base Prospectus is valid within twelve months from the date of this Base Prospectus. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when the Base Prospectus is no longer valid.

Instruments will be issued on the general terms and conditions set out under "*Terms and Conditions of the Instruments*" (the "**Conditions**"), as completed by a final terms document (the "**Final Terms**").

There are certain risks related to any issue of Instruments under the Programme which investors should ensure they fully understand (see "*Risk Factors*" below).

The date of this Base Prospectus is 18 December 2019

IMPORTANT NOTICES

This Base Prospectus, including the Annexes hereto which form part of this Base Prospectus, should be read and construed together with any supplements hereto and, in relation to any Tranche (as defined herein) of Instruments, should be read and construed together with the relevant Final Terms.

Copies of each Final Terms will be available from the specified office of the Registrar and Fiscal Agent (see "*Terms and Conditions of the Instruments*" herein).

The Issuer has confirmed that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme and the issue, offering and sale of the Instruments) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Instruments) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, to the best of its knowledge, the information contained in this Base Prospectus is in accordance with the facts and makes no omission likely to affect its import.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on distribution of this Base Prospectus or any Final Terms and other offering material relating to the Instruments see "*Subscription and Sale*".

THE INSTRUMENTS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE INSTRUMENTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS, THE INSTRUMENTS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")). SEE "*SUBSCRIPTION AND SALE*".

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

Information for distributors on the manufacturer's target market assessment for each Series of Instruments can be obtained by distributors from Nordea or via platforms specified by Nordea, which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

An investment in the Instruments may give rise to higher yields than a bank deposit placed with Nordea or with any other investment firm in the Nordea Group (a "**Nordea Bank Deposit**"). However, an investment in the Instruments carries risks which are very different from the risk profile of a Nordea Bank Deposit. The Instruments are expected to have greater liquidity than a Nordea Bank Deposit since Nordea Bank Deposits are generally not transferable. However, the Instruments may have no established trading market when issued, and one may never develop. See "*Risk Factors—Risks Relating to the Instruments—The Instruments may not be freely transferred*" and *" Risk Factors—Risks Relating to the Instruments —There is no active trading market for the Instruments*". Investments in the Instruments do not benefit from any protection provided pursuant to Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes or any national measures implementing this Directive in any jurisdiction. Therefore, if the Issuer becomes insolvent or defaults on its obligations, investors investing in such Instruments in a worst case scenario could lose their entire investment. Further, as a result of the implementation of BRRD (as defined herein), holders of the Instruments may be subject to write-down or conversion into equity on any application of the general bail-in tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. See "*Risk Factors—Legal and Regulatory Risks relating to the Instruments— Regulatory action in the event of a failure of the Issuer could materially adversely affect the value of the Instruments including in a manner which may result in Holders of the Instruments losing all or a part of the value of their investment in the Instruments or receiving a different security than the Instruments*".

Each potential investor in the Instruments must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Instruments, the merits and risks of investing in the relevant Instruments and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Instruments and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Instruments, including Instruments with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such potential investor's financial activities are principally denominated or, as in the case of Certificates, where the principal is not protected and a potential investor may lose all or part of the invested capital;

(d) understand the terms of the relevant Instruments and the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Instruments are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the investor's overall portfolio. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuer that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Instruments. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

This Base Prospectus has been prepared on a basis that permits offers that are not made within an exemption from the requirement to publish a prospectus under Article 1.4 of the Prospectus Regulation ("**Public Offers**") in each Member State for which the Issuer has given its consent referred to in the relevant Final Terms (each a "**Public Offer Jurisdiction**" and together, the "**Public Offer Jurisdictions**"). Any person making or intending to make a Public Offer of Instruments on the basis of this Base Prospectus must do so only with the Issuer's consent- see "*Consent to the use of this Base Prospectus*" below.

BENCHMARKS REGULATION

Amounts payable under the Instruments may be calculated by reference to certain reference rates or indices. Any such reference rate or index may constitute a benchmark for the purposes of Regulation (EU) No 2016/1011 (the "**Benchmarks Regulation**"). If any such reference rate or index does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

In this Base Prospectus, references to "**U.S.$**", "**USD**", "**U.S. dollars**" or "**dollars**" are to United States dollars; references to "**Euro**", "**euro**", "**EUR**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended; references to "**sterling**" and "**GBP**" are to Pounds Sterling; references to "**Yen**" and "**JPY**" are to Japanese Yen; references to "**SEK**" are to Swedish Krona; references to "**NOK**" are to Norwegian Krone; references to "**DKK**" are to Danish Krone and references to "**CAD**" are to Canadian Dollars. References to the "**Merger**" mean the merger of Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation (as defined below), into Nordea Bank Abp through a cross-border reversed merger by way of absorption on the Completion Date (as defined below). References to "**Nordea**" refer to Nordea Bank Abp except where it is clear from the context that the term refers to Nordea Bank AB (publ), the parent company of the Nordea Group before the Redomiciliation. References to the "**Nordea Group**" or the "**Group**" are to the group of companies for which Nordea is the parent company, except where it is clear from the context that the term refers to any particular subsidiary or a group of subsidiaries. References to the "**Completion Date**" mean the date of completion of the Merger being 1 October 2018. References to the "**Re-domiciliation**" mean the re-domiciliation of the parent company of the Nordea Group from Sweden to Finland that was carried out through the Merger.

Any reference in this Base Prospectus to any legislation (whether primary legislation or secondary legislation made pursuant to primary legislation) shall, if the context so requires, be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF INSTRUMENTS

In the context of any Public Offer of Instruments the Issuer has requested the Central Bank to provide a certificate of approval in accordance with Article 25 of the Prospectus Regulation (a "**passport**") in relation to the passporting of the Base Prospectus to the competent authorities of Norway, Sweden, Finland and Denmark (the "**Host Member States**"). Even though the Issuer has elected to passport this Base Prospectus into the Host Member States, it does not mean that it will choose to make any Public Offer in the Host Member States. Investors should refer to the Final Terms for any issue of Instruments to see whether the Issuer has elected to make a public offer of Instruments in either Ireland or a Host Member State (each a "**Public Offer Jurisdiction**").

The Issuer accepts responsibility in the Public Offer Jurisdictions for which it has given consent referred to herein for the content of this Base Prospectus in relation to any person (an "**Investor**") to whom an offer of any Instruments is made by any financial intermediary to whom the Issuer has given its consent to use this Base Prospectus (such financial intermediary, an "**Authorised Offeror**"), where the offer is made during the period for which that consent is given and is in compliance with all other conditions attached to the giving of the consent, all as mentioned in this Base Prospectus.

Except in the circumstances described below, the Issuer has not authorised the making of any offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any offer of the Instruments in any jurisdiction. Any offer made by any third party without the consent of the Issuer is unauthorised and the Issuer does not accept any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.

If, in the context of a Public Offer, an Investor is offered Instruments by a person which is not the Issuer or an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Base Prospectus for the purpose of the relevant Public Offer and, if so, who that person is.

If an Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents, the Investor should take legal advice.

Consent to the use of this Base Prospectus

Conditions to Consent

The conditions to the consent of the Issuer are that such consent:

(i) is only valid in respect of the relevant Tranche of Instruments;

(ii) is only valid during the Offer Period specified in the relevant Final Terms; and

(iii) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in such of the Public Offer Jurisdictions as are specified in the relevant Final Terms.

Subject to the conditions set out above, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Instruments in any Public Offer Jurisdiction by:

(a) any financial intermediaries specified in the relevant Final Terms; and

(b) any financial intermediary appointed after the date of the relevant Final Terms and whose name is published on the website of the Issuer (www.nordea.com, www.nordea.se, www.nordea.no, www.nordea.dk or www.nordea.fi) and identified as an Authorised Offeror in respect of the relevant Public Offer.

The Issuer does not have any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR

WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE INSTRUMENTS CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE RELEVANT AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Instruments include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

RATINGS

As of the date of this Base Prospectus, the long term (senior) debt ratings of the Issuer are:

Rating Agency	Rating
Moody's Investors Service Limited	Aa3
S&P Global Ratings Europe Limited	AA-
Fitch Ratings Limited	AA- (negative outlook)
DBRS Ratings Limited	AA (low)

In accordance with:

- Moody's ratings definitions available as at the date of this Prospectus on https://www.moodys.com/ratings-process/Ratings-Definitions/002002, obligations rated 'Aa' are judged to be of high quality and are subject to very low credit risk and the modifier 3 indicates a ranking in the lower end of that generic rating category;

- S&P Global Ratings Europe Limited's rating definitions available as at the date of this Prospectus on https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352, obligations rated 'AA' differ from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong of the highest quality, subject to the lowest level of credit risk. The negative modifier shows relative standing within the rating categories;

- Fitch Ratings Limited Limited's rating definitions available as at the date of this Prospectus on https://www.fitchratings.com/site/definitions, obligations rated 'AA' denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The modifier "-" denotes relative status within major rating categories. A Negative Rating Outlook signals a negative trend on the rating scale but it does not imply that a rating change is inevitable; and

- DBRS Ratings Limited's rating definitions available as at the date of this Prospectus on https://www.dbrs.com/understanding-ratings, obligations rated 'AA' are of superior credit quality. The capacity for the payment of financial obligations is considered high. Credit quality differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events and the modifier 'low' indicates the sub-category.

Moody's Investors Service Limited, S&P Global Ratings Europe Limited, Fitch Ratings Limited and DBRS Ratings Limited are all established in the European Union (the "**EU**") and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").

Instruments to be issued under the Programme will not be rated.

ESMA is obliged to maintain on its website, at http://www.esma.europa.eu/page/list-registered-and-certified-CRAs, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EU but is endorsed by a credit rating agency established in the EU and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EU, but which is certified under the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Furthermore, credit ratings are subject to revision, suspension or withdrawal at any time, and a change in the credit ratings of the Issuer, or a new unsolicited credit rating assigned to the Issuer, could affect the market value and reduce the liquidity of the Instruments.

There can be no assurance that a rating assigned to the Issuer will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating assigned to the Issuer is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Instruments, and the market value and liquidity of the Instruments may be adversely affected. In addition, the Issuer's credit ratings do not always mirror the risk related to individual Instruments issued under the Programme. Real or anticipated changes in the Issuer's credit ratings generally will also affect the market value of the Instruments.

Rating agencies also regularly reassess the methodologies they employ to measure the creditworthiness of companies and securities. Any updates to these methodologies could affect the credit ratings assigned by the agencies.

FORWARD-LOOKING STATEMENTS

Certain statements in this Base Prospectus are based on the beliefs of the management of Nordea, as well as assumptions made by and information currently available to the management of Nordea, and such statements may constitute forward-looking statements. These forward-looking statements (other than statements of historical fact) regarding the Nordea Group's future results of operations, financial condition, cash flows, business strategy, plans and objectives of Nordea's management for future operations can generally be identified by terminology such as "targets", "believes", "estimates", "expects", "aims", "intends", "plans", "seeks", "will", "may", "anticipates", "would", "could", "continues" or similar expressions or the negatives thereof.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Nordea, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- changes in the global general economic conditions and developments in the global financial markets;
- changes in the general economic, political or social conditions in the markets in which the Nordea Group operates;
- regulatory developments in the markets in which the Nordea Group operates;
- changes in interest rates, foreign exchange rates, equity and commodity prices;
- changes in the quality of the Nordea Group's loan portfolio and the Nordea Group's counterparty risk;
- changes in the Nordea Group's liquidity position or that of any of its counterparties;
- changes in the Nordea Group's credit ratings;
- changes in competition in the markets in which the Nordea Group operates; and
- increased longevity, medical developments and other parameters that impact the Nordea Group's life insurance business.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Nordea Group's actual financial condition or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected. The Issuer urges investors to read the sections of this Base Prospectus entitled "*Risk Factors*" and "*The Nordea Group*" for a more complete discussion of the factors that could affect the Nordea Group's future performance and the industry in which the Nordea Group operates.

The Issuer does not intend, and does not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

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RISK FACTORS

An investment in the Instruments involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Base Prospectus prior to making any investment decision with respect to the Instruments. The risks described below could have a material adverse effect on the Nordea Group's business, financial condition and results of operations or the value of the Instruments. Additional risks and uncertainties, including those of which the Nordea Group's management is not currently aware or deems immaterial, may also potentially have an adverse effect on the Nordea Group's business, results of operations, financial condition or future prospects or may result in other events that could cause investors to lose all or part of their investment.

Words and expressions defined in the "Terms and Conditions of the Instruments" below or elsewhere in this Base Prospectus have the same meanings in this section.

The Issuer believes that the factors described below present the principal risks inherent in investing in the Instruments issued under the Programme, but the inability of the Issuer to pay interest or principal on or in connection with any Instruments may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Instruments is exhaustive.

A. Risks Relating to Macroeconomic Conditions

Negative economic developments and conditions in the markets in which the Nordea Group operates can adversely affect the Nordea Group's business and results of operations.

The Nordea Group's performance is significantly influenced by the general economic conditions in the Nordic markets (Denmark, Finland, Norway and Sweden). Development of the economic conditions in other markets where the Nordea Group currently operates, including Russia and, through Nordea's ownership in Luminor, a Baltic bank owned by Blackstone, Nordea and DNB ASA ("**DNB**") that comprises Nordea's and DNB's customers across Estonia, Latvia and Lithuania, the Baltic countries, can also affect the Nordea Group's performance. In recent years, the economic conditions in the Nordic region have, in general, developed more favourably relative to the rest of Europe, benefiting from generally sound public finances. However, there have been differences between countries within the region. Growth has continued well in 2019 in Denmark and Norway, whilst it has slowed down somewhat in Finland and Sweden. In Denmark, a GDP growth of 1.8 per cent. is expected in 2019 and in Norway a growth of 2.5 per cent. is expected. In Finland, GDP growth is expected to be 1.2 per cent. in 2019 and in Sweden 1.3 per cent. There can, however, be no assurances that the fairly strong economic conditions will continue. In recent years, the Russian economy has been negatively impacted by the crisis in the region of Crimea and eastern Ukraine. Adverse economic developments have affected and may continue to affect the Nordea Group's business in a number of ways, including, among others, the income, wealth, liquidity, business and/or financial condition of the Nordea Group's customers, which, in turn, could further reduce the Nordea Group's credit quality and demand for the Nordea Group's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Nordea Group's business, financial condition and results of operations, and measures implemented by the Nordea Group might not be satisfactory to reduce any credit, market and liquidity risks.

Accommodative monetary policies, in particular low interest rate levels, in the countries where the Nordea Group operates have recently also had, and are expected to continue to have, an impact on the Nordea Group's business, financial condition and results of operations. In the last three years, the European Central Bank ("**ECB**") and local central banks have reduced interest rates to record lows, with interest rates reaching negative levels in many countries, including Denmark, Sweden and the euro countries. Any further reductions in interest rates or a prolonged period of low interest rates may result in a decrease in the net interest margin of the Nordea Group, which, in turn, could have a material adverse effect on the Nordea Group's business, financial condition and results of operations. See also "*—Risks Relating to Market Exposure—The Nordea Group is exposed to structural market risk—Structural Interest Rate Risk*" below.

Disruptions and volatility in the global financial markets may adversely impact the Nordea Group

In recent years, the global financial markets have experienced significant disruptions and volatility as a result of, among other things, concerns regarding the overall stability of the euro area, fears related to a slowdown of the Chinese economy and uncertainty relating to the timing of monetary policy changes in the United States. In Europe, the continued modest GDP growth and low inflation have raised concerns, as evidenced by the quantitative easing programme introduced by the ECB in January 2015 and its subsequent extension to the end of 2018, and the uncertainty over the continued weak economic development of certain countries in the euro area, in particular Greece and Italy, and their remaining a member in the euro area has continued. The market conditions have also been, and are likely to continue to be, affected by the slower economic growth and increased debt levels in China, the prospect of additional interest rate hikes in the United States and the low and volatile global oil prices. Geopolitical events, such as continued tensions in the Middle East, eastern Ukraine and the Korean Peninsula, the United Kingdom's decision to withdraw from the EU (see also "*—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—The United Kingdom's expected withdrawal from the EU may adversely affect the Nordea Group's operations*" below) and recent changes in certain policy goals of the U.S. government and in trade policies globally, including the imposition of new or higher tariffs, have also caused, and are likely to continue to cause, uncertainty in the markets and concern about the development of the global economy. There can also be no assurances that a potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain European countries will not lead to new funding uncertainty, resulting in increased volatility and widening credit spreads. Risks related to the economic development in Europe have also had and, despite the recent periods of moderate stabilisation, may continue to have, a negative impact on global economic activity and the financial markets. If these conditions continue to persist, or should there be any further turbulence in these or other markets, this could have a material adverse effect on the Nordea Group's ability to access capital and liquidity on financial terms acceptable to the Nordea Group. Further, any of the foregoing factors could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

B. Risks Relating to the Nordea Group's Credit Portfolio

Deterioration in counterparties' credit quality may affect the Nordea Group's financial performance.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Nordea Group's businesses. The Nordea Group makes provisions for loan losses in accordance with IFRS. However, the provisions made are based on available information, estimates and assumptions and are subject to uncertainty, and there can be no assurances that the provisions will be sufficient to cover the amount of loan losses as they occur. Adverse changes in the credit quality of the Nordea Group's borrowers and counterparties, or a decrease in collateral values, are likely to affect the recoverability and value of the Nordea Group's assets and require an increase in the Nordea Group's individual provisions and potentially in collective provisions for impaired loans, which in turn would adversely affect the Nordea Group's financial performance. In particular, the Nordea Group's exposure to corporate customers is subject to adverse changes in credit quality should the economic environment in the Nordea Group's markets deteriorate. For example, the significant decline in global oil prices in the second half of 2015 and the resulting challenging operating environment negatively affected the shipping and offshore sector in 2016 and 2017. The ability of the Nordea Group's borrowers may also be affected by foreign exchange risk to the extent their loans are denominated in a currency other than the currency they earn their main income in. See also "*—Risks Relating to Macroeconomic Conditions—Negative economic developments and conditions in the markets in which the Nordea Group operates can adversely affect the Nordea Group's business and results of operations" above and "—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—Changes in the Nordea Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations" and "—Other Risks Relating to the Nordea Group's Business—The operations of the Nordea Group outside the Nordic markets, in particular Russia, are subject to risks that do not apply, or apply to a lesser degree, to its businesses in the Nordic markets*" below. Further, actual loan losses vary over the business cycle. A significant increase in the size of the Nordea Group's allowance for loan losses and loan losses not covered by allowances would have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

The Nordea Group is exposed to counterparty credit risk.

The Nordea Group routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, funds and other institutional and corporate clients. Many of these transactions expose the Nordea Group to the risk that the Nordea Group's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults on its obligations prior to maturity when the Nordea Group has an outstanding claim against that counterparty. Counterparty credit risk also appears in repurchasing agreements and other securities financing contracts. Due to volatility in foreign exchange and fixed income markets during the past years, counterparty credit risk has remained at an elevated level compared to the period preceding the global financial and economic crisis. This credit risk may also be exacerbated when the collateral held by the Nordea Group cannot be realised or is liquidated at prices not sufficient to recover the full amount of the counterparty exposure. Any of the foregoing could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

As a consequence of its transactions in financial instruments, including foreign exchange rate and derivative contracts, the Nordea Group is also exposed to settlement risk and transfer risk. Settlement risk is the risk of losing the principal on a financial contract due to default by the counterparty after the Nordea Group has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding payment or security has been finally confirmed. Transfer risk is the risk attributable to the transfer of money from a country other than the country where a borrower is domiciled, which is affected by the changes in the economic conditions and political situation in the countries concerned.

C. Risks Relating to Market Exposure

The Nordea Group is exposed to market price risk.

The Nordea Group's customer-driven trading operations and its treasury operations (where the Nordea Group holds investment and liquidity portfolios for its own account) are the key contributors to market price risk in the Nordea Group. The fair value of financial instruments held by the Nordea Group, including bonds, equity investments, cash in various currencies, investments in private equity, hedge and credit funds, commodities and derivatives, are sensitive to volatility of and correlations between various market variables, including interest rates, credit spreads, equity prices and foreign exchange rates. To the extent volatile market conditions persist or recur, the fair value of the Nordea Group's bond, derivative and structured credit portfolios, as well as other classes, could fall more than estimated, and therefore cause the Nordea Group to record write-downs. Future valuations of the assets for which the Nordea Group has already recorded or estimated write-downs, which will reflect the then-prevailing market conditions, may result in significant changes in the fair values of these assets. Further, the value of certain financial instruments is recorded at fair value, which is determined by using financial models incorporating assumptions, judgments and estimations that are uncertain and which may change over time or may be inaccurate. Any of these factors could require the Nordea Group to recognise further write-downs or realise impairment charges, which may have a material adverse effect on the Nordea Group's business, financial condition and results of operations. In addition, because the Nordea Group's trading and investment income depends to a great extent on the performance of financial markets, volatile market conditions could result in a significant decline in the Nordea Group's trading and investment income, or result in a trading loss, which, in turn, could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

The Nordea Group is exposed to structural market risk.

Structural Interest Rate Risk

Like all banks, the Nordea Group earns interest from loans and other assets, and pays interest to its depositors and other creditors. The net effect of changes to the Nordea Group's net interest income depends on the relative levels of assets and liabilities that are affected by the changes in interest rates. The Nordea Group is exposed to structural interest income risk ("**SIIR**") when there is a mismatch between the interest rate re pricing periods, volumes or reference rates of its assets, liabilities and derivatives. This mismatch could, in the event of changes in interest rates, have a material adverse effect on the Nordea Group's financial condition and results of operations.

Structural Foreign Exchange Risk

The Nordea Group is exposed to currency translation risk primarily as a result of its Norwegian and Swedish banking businesses, as it prepares its consolidated financial statements in its functional currency, the euro. Because the Nordea Group shows translation differences between the local currency denominated equity positions of its fully consolidated subsidiaries, the euro effects arising from currency translation may reduce equity. In addition, because some of the Nordea Group's consolidated risk exposure amount ("**REA**"), against which the Nordea Group is required to hold a minimum level of capital, is denominated in local currencies, any significant depreciation of the euro against these local currencies would adversely impact the Nordea Group's capital adequacy ratios. The Nordea Group is also subject to foreign exchange risk in connection with its non-euro denominated funding arrangements. While the Nordea Group generally follows a policy of hedging its foreign exchange risk, including by seeking to match the currency of its assets with the currency of the liabilities that fund them and by entering into hedging arrangements with respect to currency exposures, there can be no assurances that the Nordea Group will be able to successfully hedge some or all of this currency risk exposure or that it will in all instances be feasible for the Nordea Group to hedge such exposure.

D. Risks Relating to Liquidity and Capital Requirements

The Nordea Group's business performance could be affected if its capital adequacy ratios are reduced or perceived to be inadequate.

The Nordea Group is required to maintain certain capital adequacy ratios pursuant to EU and Finnish legislation. The Basel Committee on Banking Supervision (the "**BCBS**") has introduced a number of fundamental reforms to the regulatory capital framework for internationally active banks, the principal elements of which are set out in its papers released on 16 December 2010 (together with a 13 January 2011 press release setting out minimum requirements for additional tier 1 and tier 2 instruments to ensure loss absorbency at the point of non-viability, "**Basel III**"). Basel III has been implemented in the EU by way of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**Capital Requirements Directive**" or "**CRD**") and the direct application of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**") in each member state of the EU (the Capital Requirements Directive together with the CRR, "**CRD IV**"). After various delays, CRD IV was adopted in June 2013. The CRR has applied in all Member States from 1 January 2014 and the Finnish legislation implementing the CRD entered into force in 2014. To finalise the Basel III reforms, the BCBS has also published a package that may lead to further enhanced requirements in relation to the Nordea Group's capital, liquidity and funding ratios or alter the way such ratios are calculated and, as a result, adversely affect the Nordea Group's capital position.

Local regulators may, nevertheless, require higher capital buffers than those required under current or proposed future regulations due to, among other things, the continued general uncertainty involving the financial services industry and the concerns over global and local economic conditions or, in the case of institution-specific capital requirements, over the financial position of an institution. Any such requirements, or perception by debt and equity investors, analysts or other market professionals that the capital buffers should be higher, or any concern regarding compliance with future capital adequacy requirements, could increase the Nordea Group's borrowing costs, limit its access to capital markets or result in a downgrade in its credit ratings, which could have a material adverse effect on its results of operations, financial condition and liquidity. In addition, lower internal credit rating of customers, substantial market volatility, widening credit spreads, changes in the general capital adequacy regulatory framework or regulatory treatment of certain positions, such as changes in risk weights assigned to asset classes, fluctuations in foreign exchange rates, decreases in collateral ratios as a consequence of the deterioration of the market value of underlying assets, or deterioration of the economic environment, among other things, could result in an increase in the Nordea Group's REA, which potentially may reduce the Nordea Group's capital adequacy ratios. If the Nordea Group were to experience a reduction in its capital adequacy ratios, and could not raise further capital, it would have to reduce its lending or investments in other operations. See also *"—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—The Nordea Group may incur substantial costs in monitoring and complying with new capital adequacy and recovery and resolution framework requirements*" below.

Liquidity risk is inherent in the Nordea Group's operations.

Liquidity risk is the risk that the Nordea Group will be unable to meet its obligations as they fall due or meet its liquidity commitments only at an increased cost. A substantial portion of the Nordea Group's liquidity and funding requirements is met through reliance on customer deposits, as well as ongoing access to wholesale funding markets, including issuance of long-term debt market instruments, such as covered bonds. The volume of these funding sources, in particular long-term funding, may be constrained during periods of liquidity stress. Turbulence in the global financial markets and economy may adversely affect the Nordea Group's liquidity and the willingness of certain counterparties and customers to do business with the Nordea Group, which may result in a material adverse effect on the Nordea Group's business and results of operations.

The Nordea Group's funding costs and its access to the debt capital markets depend significantly on its credit ratings.

There can be no assurances that Nordea Bank Abp or its mortgage subsidiaries will be able to maintain their current ratings or that the Nordea Group will retain current ratings on its debt instruments. A reduction in the current long-term ratings of Nordea Bank Abp or one of its mortgage subsidiaries may increase its funding costs, limit access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Therefore, a reduction in credit ratings could adversely affect the Nordea Group's access to liquidity and its competitive position and, thus, have a material adverse effect on its business, financial condition and results of operations.

E. Other Risks Relating to the Nordea Group's Business

The Nordea Group faces competition in all markets, particularly in relation to the development of new products and services and the introduction of digital technology.

There is competition for the types of banking and other products and services that the Nordea Group provides and there can be no assurances that the Nordea Group can maintain its competitive position. In particular, the financial services market may face significant changes due to the development of digital banking and changes in consumer behaviour as well as regulatory developments, such as the implementation of the Revised Payment Services Directive 2015/2366/EU, as well as new operators entering the market. Even though the Nordea Group is implementing a transformational change agenda involving, among other things, significant investments in technology, there can be no assurances that the Nordea Group will be able to continue to adjust its operating models and arrangements to respond to new forms of competition. If the Nordea Group is unable to provide competitive product and service offerings, it may fail to attract new customers and/or retain existing customers, experience decreases in its interest, fee and commission income, and/or lose market share, the occurrence of any of which could have a material adverse effect on its business, financial condition and results of operations.

Operational risks, including risks in connection with investment advice, may affect the Nordea Group’s business.

The Nordea Group’s business operations are dependent on the ability to process a large number of complex transactions across different markets in many currencies. The Nordea Group's operations are carried out through a number of entities. Operational losses, including monetary damages, reputational damage, costs, and direct and indirect financial losses and/or write-downs, may result from inadequacies or failures in internal processes, information technology ("**IT**") and other systems (including the implementation of new systems and platforms), licences from external suppliers, fraud or other criminal actions, employee errors, outsourcing, failure to properly document transactions or agreements with customers, vendors, sub-contractors, co-operation partners and other third parties, or to obtain or maintain proper authorisation, or from customer complaints, failure to comply with regulatory requirements, including but not limited to anti-money laundering, economic and financial sanctions, data protection and antitrust regulations, conduct of business rules, equipment failures, failure to protect its assets, including intellectual property rights and collateral, failure of physical and security protection, natural disasters or the failure of external systems, including those of the Nordea Group’s suppliers or counterparties and failure to fulfil its obligations, contractual or otherwise. Although the Nordea Group has implemented risk controls and taken other actions to mitigate exposures and/or losses, there can be no assurances that such procedures will be effective in controlling each of the operational risks faced by the Nordea Group, or that the Nordea Group's reputation will not be damaged by the occurrence of any operational risks.

As a part of its banking and asset management activities, the Nordea Group provides its customers with investment advice, access to internally as well as externally managed funds and serves as custodian of third-party funds. In the event of losses incurred by its customers due to investment advice from the Nordea Group, or the misconduct or fraudulent actions of external fund managers, the Nordea Group's customers may seek compensation from the Nordea Group. Such compensation might be sought even if the Nordea Group has no direct exposure to such risks, or has not recommended such counterparties to its customers. In addition, providing investment advice is subject to reputational risk, and claims from customers or penalties imposed by competent authorities with respect to investment advice provided by the Nordea Group could have a material adverse effect on the Nordea Group’s reputation, business, financial condition and results of operations.

Nordea may not be able to realise the savings it expects to generate through the Re-domiciliation.

As discussed in more detail under "*The Nordea Group—Legal Structure—Nordea Group*", on 6 September 2017 the board of directors of Nordea decided to initiate the Re-domiciliation, that is, the re-domiciliation of the parent company of the Nordea Group from Sweden to Finland, which is participating in the EU's banking union. This decision was, in part, based on the expected savings related to resolution fees, deposit guarantee fees and other transitional effects due to the Re-domiciliation. The estimates related to the expected savings were based on a number of assumptions and judgments relating to, among others, the level of resolution and deposit guarantee fees going forward and transitional effects due to the Re-domiciliation, and were prepared based on Nordea's expectation on the development of the commercial, regulatory and economic environments. The estimates related to expected savings did not reflect unanticipated events that, among others, may result from developments in the regulatory regime, including the applicable capital requirements and tax regulations, that the Nordea Group is subject to or potential unforeseen costs related to the Re-domiciliation. There can be no assurances that the anticipated cost savings related to the Re-domiciliation will materialise, and any failure to fully materialise the anticipated cost savings could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

The operations of the Nordea Group outside the Nordic markets, in particular Russia, are subject to risks that do not apply, or apply to a lesser degree, to its businesses in the Nordic markets.

The Nordea Group's operations outside the Nordic markets present various risks that do not apply, or apply to a lesser degree, to its businesses in the Nordic markets. Some of these markets, in particular Russia, are typically more volatile and less developed economically and politically than markets in Western Europe and North America. The Nordea Group faces economic and political risk, including economic volatility, recession, inflationary pressure, exchange rate fluctuation risk and interruption of business, as well as civil unrest, moratorium, imposition of exchange controls, sanctions relating to specific countries, expropriation, nationalisation, renegotiation or nullification of existing contracts, sovereign default and changes in law or tax policy. For example, the crisis in the region of Crimea and eastern Ukraine that commenced in early 2014 and related events, such as the sanctions imposed by the United States and the EU against Russia, have had an adverse effect on the economic climate in Russia. Should the crisis in these regions continue or new or escalated tensions between Russia and Ukraine or other countries emerge, or should additional economic, financial or other sanctions in response to such crises or tensions be imposed, this could have a further adverse effect on the economies in Russia, neighbouring regions and other countries. Even though the Nordea Group has in recent years reduced its exposure in Russia, risks related to the Nordea Group's remaining operations in Russia could impact the ability or obligations of the Nordea Group's borrowers to repay their loans and the ability of the Nordea Group to utilise collateral held as security and affect interest rates and foreign exchange rates, and could produce social instability and adversely impact levels of economic activity, which would have a material adverse effect on the Nordea Group's business, financial condition and results of operations in Russia.

Profitability in the Nordea Group's life and pension business depends on regulations and guidelines in the countries in which it operates.

In addition to insurance risk and investment risks related to its life insurance business common to all life insurance and pension providers, the Nordea Group's ability to generate profit from its insurance subsidiaries generally depends on the level of fees and other income generated by the insurance and pension business. The level of fees and other income which the Nordea Group may earn from its life insurance subsidiaries differs from country to country, depending on regulations and guidelines promulgated by the relevant financial services authorities on shareholder fees, IFRS bridging, profit sharing and solvency requirements.

The Nordea Group could fail to attract or retain senior management or other key employees.

The Nordea Group's performance is, to a large extent, dependent on the talents and efforts of highly skilled individuals, and the continued ability of the Nordea Group to compete effectively and implement its strategy depends on its ability to attract new employees and retain and motivate existing employees. Competition from within the financial services industry, including from other financial institutions, as well as from businesses outside the financial services industry for key employees is intense. New regulatory restrictions, such as the limits on certain types of remuneration paid by credit institutions and investment firms set forth in CRD IV, could adversely affect the Nordea Group's ability to attract new employees and retain and motivate existing employees. Any loss of the services of key employees, particularly to competitors, or the inability to attract and retain highly skilled personnel in the future could have an adverse effect on the Nordea Group's business.

The Nordea Group may not be able to successfully implement its strategy.

The Nordea Group's ambition and vision has been to operate as "One Nordea" across the Nordic region. In order to realise that ambition and vision, the Nordea Group introduced a transformational change agenda in 2015 involving, among other things, significant investments in technology in order to have one system for all core banking products.

The transformational agenda has now reached its next phase, the one where the core banking platform is being rolled out and in a bank which is stronger and more resilient. The new phase is about increasing profitability and leverage the "One Nordea" and the Nordea Group announced new financial targets in October 2019, to be reached by the end of 2022. As part of the plan to reach increased profitability, the Nordea Group announced EUR 700-800m in gross cost savings and a large part of that will come from reductions in the workforce.

There can be no assurances that the Nordea Group will be able to successfully implement its strategy within the expected timeframe or at all, and the expected benefits of the Nordea Group's strategy may not materialise, including if the markets in which the Nordea Group operates do not develop as expected. Furthermore, the Nordea Group's strategy may have negative consequences in respect of attracting and retaining employees. Any of the above could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

F. ***Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates***

The Nordea Group is subject to extensive regulation that is subject to change.

Companies active in the financial services industry, including the Nordea Group, operate under an extensive regulatory regime. The Nordea Group is subject to laws and regulations, administrative actions and policies as well as related oversight from the local regulators in each of the jurisdictions in which it has operations. These jurisdictions include Finland, where the Nordea Group's parent company Nordea Bank Abp is based, Denmark, Norway, Sweden, Russia, China, Germany, Luxembourg, Poland, Singapore, Estonia, the United Kingdom and the United States. The Nordea Group is also under the direct supervision and subject to the regulations of the ECB, as a result of the size of its assets.

The Nordea Group was, on 29 June 2018, identified as a global systemically important institution ("**G-SII**") by the Finnish Financial Supervisory Authority ("**FFSA**"). On 20 December 2018, however, the FFSA announced that given that the Nordea Group was no longer identified by the Financial Stability Board (the "**FSB**") as a global systemically important bank ("**G-SIB**") the FFSA had decided that the Nordea Group will not be identified as a G-SII. This decision, which enters into force as of 1 January 2020, replaces the decision of 29 June 2018. The Nordea Group nevertheless continues to be identified as an "other systemically important institution" or "OSII" and subject to capital buffer requirements specific to O-SIIs (see also "*—CRD IV imposes capital requirements that are in addition to the minimum capital ratio*" below). These laws and regulations, administrative actions and policies are subject to change and may from time to time require significant costs to comply with.

Areas where changes or developments in regulation and/or oversight could have an adverse impact include, but are not limited to, (i) changes in monetary, interest rate and other policies, (ii) general changes in government and regulatory policies or regimes which may significantly influence customer or investor decisions or may increase the costs of doing business in the Nordea Group's markets, (iii) changes in capital adequacy framework, imposition of onerous compliance obligations, restrictions on business growth or pricing and requirements to operate in a way that prioritises other objectives over shareholder value creation, (iv) changes in competition and pricing environments, (v) differentiation amongst financial institutions by governments with respect to the extension of guarantees to bank customer deposits and the terms attaching to such guarantees, (vi) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership, (vii) further developments in the financial reporting environment and (viii) other unfavourable political, military or diplomatic developments producing legal uncertainty, which, in each case, may affect demand for the Nordea Group's products and services.

As a result of the recent global financial and economic crises, a number of regulatory initiatives have been proposed and taken to amend or implement rules and regulations, which have had, or could likely have, an impact on the business of the Nordea Group. Such initiatives include, but are not limited to, requirements for liquidity, capital adequacy and handling of counterparty risks, regulatory tools provided to authorities to allow them to intervene in scenarios of distress and the introduction of a common system of financial transactions tax in the euro area. One such new requirement is the obligation under the BRRD for banks, such as Nordea, to contribute to resolution funds, the purpose of which are to finance the resolution of failing banks without having to resort to taxpayer money. Nordea contributes to the Banking Union common Single Resolution Fund.

Following a period of significant post-crisis regulatory initiatives in the United States, the current U.S. government has expressed policy goals with respect to a financial regulatory reform that could reduce certain restrictions introduced in connection with the implementation of these initiatives. Should such reform take place, it could improve the competitive position of U.S. based financial institutions compared to institutions based in jurisdictions with stricter regulatory requirements.

Regulatory developments such as these or any other requirements, restrictions, limitations on the operations of financial institutions and costs involved, or unexpected requirements under, or uncertainty with respect to, the regulatory framework to be applied to the Nordea Group, could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

The Nordea Group may incur substantial costs in monitoring and complying with new capital adequacy and recovery and resolution framework requirements.

The BCBS has introduced a number of fundamental reforms to the regulatory capital framework for internationally active banks, the principal elements of which are set out in Basel III. Basel III has been implemented in the EU by way of the CRD and the direct application of the CRR in each member state of the EU. CRD IV sets higher capital and liquidity requirements on banks that are required, among other things, to hold more common equity tier 1 (CET1) capital. The heightened capital requirements, the continuing regulatory developments and higher demands on liquidity have resulted, and are likely to continue to result, in the Nordea Group, similar to other financial institutions, incurring substantial costs in monitoring and complying with these new requirements, which may also adversely affect the business environment in the financial sector. Furthermore, the EU has introduced a recovery and resolution framework for credit institutions and investment firms, which includes a so-called "bail-in" system, as well as a single supervisory mechanism, a single resolution mechanism and a full banking union in the euro area. These new requirements, other proposals and supervisory structures may impact existing business models. See also "—*Recent regulatory actions may affect the Nordea Group's funding needs and capital position*" below.

Recent regulatory actions may affect the Nordea Group's funding needs and capital position.

BRRD

The Bank Recovery and Resolution Directive 2014/59/EU ("**BRRD**") was implemented in Finland on 1 January 2015 through the Finnish Act on Resolution of Credit Institutions and Investment Firms (Fi: *laki luottolaitosten ja sijoituspalveluyritysten kriisinratkaisusta (1194/2014)*) (the "**Finnish Resolution Act**") and the Finnish Act on Financial Stability Authority (Fi: *laki rahoitusvakausviranomaisesta (1195/2014)*) (the "**Finnish Act on Financial Stability Authority**").

Nordea operates under the BRRD. To ensure that banks always have sufficient loss-absorbing capacity, the BRRD provides for the relevant resolution authority to set minimum requirements for own funds and eligible liabilities ("**MREL**") for each institution, based on, among other criteria, its size, risk and business model. The MREL framework is conceptually similar to the Financial Stability Board ("**FSB**"'s) principles for Total Loss Absorbing Capacity ("**TLAC**") and both aim to ensure that banks have sufficient loss absorbing capacity to preserve the continuity of critical functions, ensure financial stability, and minise the burden to taxpayers arising from any failure of the institution.

According to the FSB standard and the MREL Framework, there is a particular need to ensure that authorities possess the necessary legal powers to expose eligible instruments to loss and that they can exercise their powers without material risk of successful legal challenge or giving rise to compensation costs under the "no creditor worse off than in liquidation" ("**NCWOL**") principle. Similarly, authorities must be confident that the holders of these instruments are able to absorb losses in a time of stress in the financial markets without spreading contagion and without necessitating the allocation of loss to liabilities where that would cause disruption to critical functions or significant financial instability. Eligible instruments should, therefore, not include operational liabilities on which the performance of critical functions depends, and a minimum proportion of such eligible liabilities should be subordinated in some way to those operational liabilities and certain other specified categories of obligations (a so-called "subordination requirement", as discussed further below). Any instruments or liabilities that cannot be written down or converted into equity by the relevant resolution authority without giving rise to material risk of NCWOL claims should not be eligible as TLAC and may give rise to a requirement to issue additional eligible liabilities under the MREL Framework.

It is difficult to predict the effect MREL and/or TLAC may have on the Nordea Group until the new MREL and TLAC requirements have been fully implemented. There is a risk that the MREL requirements and/or any TLAC requirements within the MREL Framework (if applicable to the Nordea Group in the future) could require the Nordea Group to issue additional MREL eligible liabilities in order to meet the new requirements within the required timeframes. This, in turn, may have an adverse effect on the Nordea Group's business, financial condition and results of operations.

CRD IV imposes capital requirements that are in addition to the minimum capital ratio.

The capital and regulatory framework to which the Nordea Group is, and will be, subject imposes certain requirements for the Nordea Group to hold sufficient levels of capital, including common equity tier 1 (CET1) capital and additional loss-absorbing capacity (including MREL and TLAC (as defined below)). A failure to comply with such requirements, as the same may be amended from time to time, may result in restrictions on Nordea's ability to make discretionary distributions in certain circumstances. If the Nordea Group's ability to make discretionary payments becomes subject to such restrictions, this could have an impact on its ability to raise, and the cost of, any form of capital or funding.

The supervision of the Nordea Group was recently transferred to the ECB and the Nordea Group became subject to the European Single Supervisory Mechanism and the European Single Resolution Mechanism.

The licensing of credit institutions and the supervision of the most significant banks and financial groups in the euro area were transferred to the ECB as of 4 November 2014 in the context of the SSM. Furthermore, the EU has adopted a directly applicable regulation governing the resolution of the most significant financial institutions in the euro area, that is, a regulation establishing a single resolution mechanism (the "**Single Resolution Mechanism**") for financial institutions (Regulation (EU) No 806/2014, the "**SRM Regulation**"). The Single Resolution Mechanism establishes the SRB that has resolution powers over the entities that are subject to the SRM Regulation and, thereby, replaces the national authorities as the relevant resolution authority with respect to such institutions. Following the Re-domiciliation, the Nordea Group has been subject to the resolution powers of the SRB as from 1 October 2018.

The SRB has the authority to exercise the specific resolution powers pursuant to the SRM Regulation similar to those of the national resolution authorities under the BRRD. These specific resolution powers include the sale of business tool, the bridge institution tool, the asset separation tool, the bail-in tool and the mandatory write-down and conversion power in respect of capital instruments and eligible liabilities. The use of one or more of these tools will be included in a resolution scheme to be adopted by the SRB. National resolution authorities will remain responsible for the execution of the resolution scheme according to the instructions of the SRB.

The SRB will prepare and adopt a resolution plan for the entities subject to its powers, including the Nordea Group. It will also determine, after consulting competent authorities including the ECB, a minimum MREL requirement which the Nordea Group is expected to be required to meet at all times. The SRB will also have the powers of early intervention as set forth in the SRM Regulation, including the power to require the Nordea Group to contact potential purchasers in order to prepare for resolution of the Nordea Group. These will be launched if the SRB assesses that the following conditions are met: (i) the Nordea Group is failing or is likely to fail; (ii) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action or the write-down or conversion of relevant capital instruments, taken in respect of the Nordea Group, would prevent its failure within a reasonable timeframe; and (iii) a resolution action is necessary in the public interest.

The exercise of resolution powers by the SRB with respect to the Issuer or any suggestion of such exercise will likely materially adversely affect the price or value of an investment in Instruments and/or the ability of the Issuer to satisfy its obligations under such Instruments and could lead to the holders of the Instruments losing some or all of their investment in the Instruments.

Legal and regulatory claims arise in the conduct of the Nordea Group's business.

Companies active in the financial services industry, such as the Nordea Group, operate under a comprehensive regulatory regime and are subject to extensive regulatory supervision, with recently heightened scrutiny by supervisory authorities of such companies' regulatory compliance. This regulatory environment makes the Nordea Group susceptible to regulatory and litigation risks in the ordinary course of its business. Specifically, the Nordea Group is subject to regulatory oversight and liability risk. The Nordea Group carries out operations through a number of legal entities in a number of jurisdictions and is subject to regulations, including, but not limited to, regulations on conduct of business, anti-money laundering, economic and financial sanctions, payments, consumer credits, capital requirements, reporting and corporate governance, in such jurisdictions. Regulations and regulatory requirements are also continuously amended and new requirements are imposed on the Nordea Group. There can be no assurances that breaches of regulations by the Nordea Group have not occurred in the past or will not occur in the future or that such breaches would not result in significant liability, penalties or other negative financial consequences.

The Nordea Group is involved in a variety of claims, disputes, legal proceedings and investigations in jurisdictions where it is active. For example, the Nordea Group is subject to an ongoing investigation in Denmark concerning the compliance of Nordea Bank Danmark A/S with applicable anti-money laundering regulations, and the Nordea Group expects to be fined in Denmark for past weaknesses in anti-money laundering processes. Consequently, in the third quarter of 2019 the Nordea Group recorded a provision of EUR 95 million for ongoing anti-money laundering related matters in its financial statements for the nine-month period ended 30 September 2019. The Nordea Group is also subject to administrative claims and tax proceedings from time to time. These types of claims, disputes, legal proceedings or investigations, the outcomes of which can be difficult to predict, expose the Nordea Group to monetary damages, direct or indirect costs (including legal costs), direct or indirect financial losses, civil and criminal penalties, loss of licences or authorisations, or loss of reputation, criticism or penalties by supervisory authorities as well as the potential for regulatory restrictions on its businesses, all of which could have a material adverse effect on the Nordea Group's business, financial condition and results of operations. Adverse regulatory actions against the Nordea Group or adverse judgments in litigation to which the Nordea Group is party could result in restrictions or limitations on the Nordea Group's operations or result in a material adverse effect on the Nordea Group's business, financial condition and results of operations.

The Nordea Group is exposed to risk of changes in tax legislation, including increases in tax rates.

The Nordea Group’s activities are subject to tax at various rates around the world computed in accordance with local legislation and practice. The Nordea Group’s business, including intra-group transactions, is conducted in accordance with the Nordea Group’s interpretation of applicable laws, tax treaties, regulations and instructions from the tax authorities in the relevant countries. However, the applicable laws, tax treaties, court tax practice and tax authority administrative practice may change over time. Any future legislative changes or decisions by tax authorities in Finland and other jurisdictions where the Nordea Group is active may impair the tax position of the Nordea Group.

The United Kingdom's expected withdrawal from the EU may adversely affect the Nordea Group's operations.

On 23 June 2016, the United Kingdom ("**U.K.**") held a referendum on the U.K.'s continuing membership of the EU, the outcome of which was a decision for the U.K. to leave the EU ("**Brexit**"). On 29 March 2017, the U.K. Government formally notified the EU under Article 50 of the U.K.'s intention to leave the EU. This notification began the process of negotiation that will likely determine the future terms of the U.K.'s relationship with the EU. On 17 October 2019 the EU leaders agreed to a revised withdrawal agreement. Following the general election on 12 December 2019 it is likely that the U.K. will leave the EU on 31 January 2020 subject to a limited transitional arrangement. Nevertheless, there remains some uncertainty as to when the U.K. will leave the EU. Negotiations around the U.K.'s future relationship with the EU will continue throughout the transition period and as such there will continue to be uncertainty around the future relationship between the U.K. and the EU. Until the Brexit negotiation process and transition period is completed, it is difficult to anticipate the potential impact on the Nordea Group's business, financial condition and results of operations. The uncertainty during and after the period of negotiation and transition is also expected to increase market volatility and may have an economic impact on the countries in which the Nordea Group operates, particularly in the U.K. and Euro-zone. It is still too early to judge the impact of Brexit as it is unclear as to the trading relationships, if any, the U.K. will be able to negotiate with the EU and other significant trading partners.

Although the Nordea Group conducts a limited proportion of its business through its London branch, and is in the process of obtaining necessary regulatory permissions to continue its regulated activities both inside and outside the U.K, the Nordea Group performs certain services into or in the U.K. on a cross-border basis in reliance on passported permissions granted by other European jurisdictions. The Nordea Group cannot be certain that it will be able to continue relying on these cross-border permissions following conclusion of the Brexit process, or that it will be able to secure any additional licences or permissions that may be required in order to continue its existing business. Furthermore, the Nordea Group transacts with various U.K.-based counterparties that may, as a result of Brexit, decide to move all or part of their business from the U.K. to an EU Member State. Any consequent restructuring of the Nordea Group's business relationships with such counterparties could entail additional administration and other costs. The Nordea Group also has derivative contracts cleared through LCH Limited ("**LCH**") in London, and, despite supportive official statements being published by LCH and certain EU bodies such as ESMA and the European Council, it is not yet certain that Nordea Group entities will be permitted to continue to clear transactions through LCH once the U.K. withdraws from the EU. LCH may lose its status as an approved central counterparty ("**CCP**") under Regulation (EU) No 648/2012, as amended (the European Markets Infrastructure Regulation or EMIR), which could cause significant market disruption and operational risks for entities with derivatives cleared through LCH and other U.K. CCPs, including the Nordea Group. For example, any consequent migration of legacy transactions to an alternative CCP could be costly and operationally challenging and, even if legacy transactions could be maintained at LCH, clearing derivatives on multiple CCPs could increase costs for the Nordea Group.

In addition, any deterioration in market access or trading terms including customs duties, taxes or other tariffs that constitute real cost, delay or restrictions to the provision of services and increased administration may materially adversely impact the Nordea Group's business, financial condition and results of operations.

Brexit may also have an impact on English law-governed MREL or regulatory capital issuances, as there is currently uncertainty as to whether EU resolution authorities would be satisfied that any write-down or bail-in by such resolution authorities of these instruments would be recognised by the English courts for the purposes of Article 55 of the BRRD (regarding contractual recognition of bail-in) and/or SRB or national policy. See further "*—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates — Regulatory action in the event of a failure of the Issuer could materially adversely affect the value of the Instruments including in a manner which may result in Holders of the Instruments losing all or a part of the value of their investment in the Instruments or receiving a different security than the Instruments*". For instance, it is possible that the EU authorities would rely on a U.K. recognition regime for EU resolution actions, but this remains unclear. Therefore, it is not yet possible to predict any consequent impact on any outstanding English law-governed MREL or regulatory capital issuance by Nordea.

Changes in the Nordea Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations.

From time to time, the International Accounting Standards Board (the "**IASB**"), the EU and other regulatory bodies change the financial accounting and reporting standards that govern the preparation of the Nordea Group's financial statements. These changes can be difficult to predict and can materially impact how the Nordea Group records and reports its results of operations and financial condition. In some cases, the Nordea Group could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements or adjusting the opening balances.

G. Risks Relating to the Instruments

There is no active trading market for the Instruments.

The Instruments issued under the Programme will be new securities which may not be widely distributed and for which there may be no active trading market (unless in the case of any particular Tranche, such

Tranche is to be consolidated with and form a single series with a Tranche of Instruments which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing prices for the Underlying Asset(s), the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications may be made for Instruments issued under the Programme to be admitted to listing on the Euronext Dublin and to trading on its Regulated Market, or for Instruments to be admitted to listing and trading by such other listing authority and/or stock exchange as may be specified in the Final Terms, there is no assurance that such applications will be accepted, that any particular Tranche of Instruments will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Instruments.

Furthermore, the Issuer may elect to issue unlisted Instruments, in which case there may be not be an active trading market for such Instruments. While Nordea may offer to buy-back such Instruments prior to their maturity date under normal market conditions, the price at which such Instruments are bought back (if at all) will depend upon a number of factors (including the factors described in this Base Prospectus). In case of unstable market conditions, Nordea may suspend any buy-back of Instruments, in which case the relevant investor may be unable to sell the relevant Instruments until they are redeemed.

The Instruments may be redeemed prior to maturity

The Instruments may be redeemed before their scheduled maturity in some circumstances, including (but not limited to) the occurrence of an Early Expiration Event and/or upon the termination of the Nordnet Agreement or other distribution agreements between the Issuer and one or more third parties or the occurrence of a Stop Loss Event in respect of certain Instruments, which may be unpredictable and outside the control of the holders. Early redemption may result in holders of Instruments receiving a lower return on investment and in some circumstances may result in a loss of part or all of their investment. Early redemption may have tax consequences for holders of Instruments.

The Instruments rank junior to preferred deposits in the insolvency hierarchy.

The BRRD and the SRM Regulation establish a preference in the ordinary insolvency hierarchy, firstly, for insured depositors and, secondly, for all other deposits of individuals and micro, small and medium-sized enterprises held in EEA or non-EEA branches of an EEA bank. In addition, the new deposit guarantee scheme directive, which has been implemented into national law and entered into force in Finland on 1 January 2015, increased the volume of deposits that are insured (and thus preferred) to include a wide range of deposits, including all corporate deposits (unless the depositor is a public sector body or financial institution) and some temporary high value deposits. Therefore, these preferred deposits will rank ahead of all other unsecured creditors of the Issuer, including the holders of Instruments, in the insolvency hierarchy. Furthermore, insured deposits are excluded from the scope of the bail-in powers.

The Instruments may not be freely transferred.

The Issuer has not registered, nor will it register, the Instruments under the Securities Act or any other securities laws. Accordingly, the Instruments are subject to certain restrictions on resale and other transfer thereof as set forth in the section entitled "*Subscription and Sale*." As a result of these restrictions, the Issuer cannot be certain of the existence of a secondary market for the Instruments or the liquidity of such a market if one develops. Consequently, a Holder of Instruments and an owner of beneficial interests in those Instruments must be able to bear the economic risk of their investment in the Instruments for the terms of the Instruments.

Cancelled or scaled down issue

The Issuer reserves the right to cancel all or part of an offer of Instruments prior to the end of the relevant Offer Period upon the occurrence of certain circumstances, e.g. where the subscribed amount does not reach certain levels or where variables such as participation ratios cannot be determined at a certain level. The Issuer also reserves the right, in its sole discretion, to cancel an issue upon the occurrence of economic, financial or political events which may jeopardise a successful issue of Instruments. In such circumstances, the investor may not be able to reinvest their funds in an instrument offering comparable returns.

The Instruments are subject to risks related to exchange rates and exchange controls.

The Issuer will make payments on the Instruments in a specified currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Instruments, (2) the Investor's Currency equivalent value of the principal payable on the Instruments and (3) the Investor's Currency equivalent market value of the Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Instrumentholders are subject to credit risk on the Issuer.

Holders of the Instruments issued under the Programme take a credit risk on the Issuer and the market value of any Instruments will be dependent upon the creditworthiness of the Issuer. A holder's ability to receive payment under the Instruments is dependent on the Issuer's ability to fulfil its payment obligations, which in turn is dependent upon the development of the Issuer's business.

In the event of the Issuer's insolvency, the holders of Instruments will have an unsecured claim against the Issuer. In such a case, an investor will accordingly risk losing some or all of its investment in the Instruments.

The Conditions of the Instruments may be changed.

The Conditions applicable to each Series will be determined by the Issuer at or prior to the time of issuance of such Series, and will be specified in the relevant Final Terms. The Conditions applicable to each Series will therefore be those set out in this Base Prospectus, subject to being completed by the relevant Final Terms in relation to each Series.

The Issuer has the right to correct manifest errors in the terms and conditions without the Instrument Holders' consent and to make any amendment which the Issuer does not consider to be materially prejudicial to the interests of Instrumentholders.

Payments under the Instruments may be subject to U.S. withholding under the U.S. Tax Code

As discussed in more detail under "*Taxation — United States Taxation — Possible United States Withholding Tax under Section 871(m) of the U.S. Tax Code*", U.S. Treasury Regulations under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, require withholding of up to 30 per cent. (depending on whether an income tax treaty or other exemption applies) on payments or deemed payments made to non-U.S. persons on certain financial instruments to the extent that such payments are contingent upon or determined by reference to U.S.-source dividends.

In the event any withholding would be required pursuant to Section 871(m) with respect to payments on the Instruments, no person will be required to pay additional amounts as a result of the withholding. Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) and the applicable regulations to the Instruments.

H. Legal and Regulatory Risks relating to the Instruments

Regulatory action in the event of a failure of the Issuer could materially adversely affect the value of the Instruments including in a manner which may result in Holders of the Instruments losing all or a part of the value of their investment in the Instruments or receiving a different security than the Instruments.

The BRRD entered into force in July 2014. The stated aim of the BRRD is to provide authorities with common tools and powers to address banking crises pre emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The BRRD was implemented in Finland on 1 January 2015.

The BRRD has been amended in the banking package that was published in the Official Journal on 7 June 2019 and the majority of amendments will take effect 18 months after that date.

The Nordea Group is also subject to the SRM Regulation which gives specific powers to the SRB to exercise resolution powers similar to those under the BRRD, see "*—Legal and Regulatory Risks relating to the Instruments —The supervision of the Nordea Group was recently transferred to the ECB and the Nordea Group became subject to the European Single Supervisory Mechanism and the European Single Resolution Mechanism*".

The powers granted to the authorities designated by member states of the EU to apply the resolution tools and exercise the resolution powers set forth in the BRRD ("**resolution authorities**") include the introduction of a statutory "write-down and conversion power" with respect to capital instruments and a "bail-in power", which will give the relevant resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain other eligible liabilities (which could include the Instruments), whether unsubordinated or subordinated, of a failing financial institution and/or to convert certain debt claims (which could include the Instruments) into another security, including ordinary shares of the surviving group entity, if any, which may itself be written down.

The bail-in power can be used to recapitalise an institution that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The write-down and conversion power can be used to ensure that tier 1 and tier 2 capital instruments fully absorb losses at the point of non-viability of an institution (or, if applicable, its group) and before any other resolution action is taken. The BRRD specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency. In addition, the bail-in power contains a specific safeguard (NCWOL) with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity, however such safeguard may not be applicable to the statutory write-down and conversion power available to resolution authorities in connection with tier 1 and tier 2 capital instruments.

The Instruments could be subject to the bail-in power. The determination that all or a part of the principal amount of the Instruments will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Nordea Group's control. The application of the bail-in tool with respect to the Instruments, may result in the cancellation of all or a portion of the principal amount of, or interest on, the Instruments and/or the conversion of all, or a portion, of the principal amount of, or outstanding amount payable in respect of, or interest on, the Instruments into ordinary shares or other securities of Nordea or another person, including by means of a variation to the terms of the Instruments to give effect to such application of the bail-in tool. Accordingly, potential investors in the Instruments should consider the risk that the bail-in tool may be applied in such a manner as to result in holders of the Instruments losing all or a part of the value of their investment in the Instruments or receiving a different security than the Instruments, which may be worth significantly less than the Instruments and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the resolution authority may exercise its authority to apply the bail-in tool without providing any advance notice to the holders of the Instruments. Holders of the Instruments may also have limited or no rights to challenge any decision of the resolution authority to exercise the bail-in power or to have that decision reviewed by a judicial or administrative process or otherwise.

In addition to the bail-in power and the statutory write-down and conversion power, the BRRD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation): (i) directing the sale of the bank or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transferring all or part of the business of the bank to a "bridge institution" (a publicly controlled entity), (iii) transferring all or part of the assets of the bank, including impaired or problem assets, to an asset management vehicle to allow them to be managed and worked out over time, (iv) replacing or substituting the bank as obligor in respect of debt instruments, (v) modifying the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), and/or (vi) discontinuing the listing and admission to trading of financial instruments. The resolution authorities will likely allow the use of financial public support only as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool and/or the statutory write-down and/or conversion powers.

The exercise of any actions contemplated in the BRRD or any suggestion of such exercise will likely materially adversely affect the price or value of an investment in Instruments and/or the ability of the Issuer to satisfy its obligations under such Instruments and could lead to the holders of the Instruments losing some or all of their investment in the Instruments. Prospective investors in the Instruments should consult their own advisors as to the consequences of the implementation of the BRRD.

Changes in laws, regulations or administrative practice or the interpretation thereof may affect the Instruments.

Changes in laws, regulations or administrative practice, or the interpretation thereof, after the date of this Base Prospectus may affect the Instruments in general, the rights of Holders as well as the market value of the Instruments. The Instruments and all non-contractual obligations arising out of or in connection with the Instruments are governed by English law, Finnish Law, Swedish Law, Norwegian Law or Danish Law (as specified in the relevant Final Terms) except that (i) the registration of VP Instruments in the VP which will be governed by, and construed in accordance with, Danish law; (ii) the registration of VPS Instruments in the VPS which will be governed by, and construed in accordance with, Norwegian law; (iii) the registration of Finnish Instruments in Euroclear Finland will be governed by, and construed in accordance with, Finnish law; and (iv) the registration of Swedish Instruments in the Euroclear Sweden Register which will be governed by, and construed in accordance with, Swedish law.

There can be no assurances as to the impact of any possible judicial decision or change to the laws or administrative practice of England and Wales, Finland, Norway, Sweden or Denmark after the date of issue of the relevant Instruments or the interpretation thereof. Such changes in law may impact statutory, tax and regulatory regimes during the life of the Instruments, which may have an adverse effect on the Instruments. Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Instruments and, therefore, affect the trading price of the Instruments given the extent and impact on the Instruments that one or more regulatory or legislative changes, including those described above, could have on the Instruments.

The Rome II Regulation (864/2007), which sets out a series of rules to be applied by the courts of EU member states (other than Denmark) for the purposes of determining the governing law of non-contractual obligations between parties in most civil and commercial matters does not apply in Norway or Denmark and therefore may not apply to Norwegian or Danish investors.

Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Nordea Group's business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Nordea Group's, and therefore the Issuer's, performance and financial condition. As of the date of the Base Prospectus, it is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Nordea Group, which could be material to the rights of the holders of the Instruments and/or the ability of the Issuer to satisfy its obligations under such Instruments.

Extraordinary Events affecting the Instruments

In relation to the Instruments, it should be noted that any change in applicable laws or regulations or changes in the application thereof as well as specific events such as a moratorium, currency restriction, embargo, blockade or boycott of a central bank, the Finnish government or other sovereign such as the United Nations or the European Union, may result in (i) a substitution of Underlying Assets, (ii) a change in a method for calculation of certain amounts under the Instrument, (iii) that certain amounts are calculated at an earlier date and/or (iv) other amendments to the Conditions. Such events may therefore adversely affect the amounts that are payable to the investors under an Instrument, as well as the timing of payments.

In the event that a change in laws or regulations or decisions by public authorities (or in the application thereof), or any other circumstance not directly related to a downgrading of the Issuer's credit ratings, would (in the opinion of the Issuer) result in an increase in certain costs related to Instruments or increased costs for the Issuer's risk management in relation to Instruments, such event may entitle the Issuer to (i) substitute Underlying Assets, (ii) change a method for calculation of certain amounts under the Instrument, (iii) calculate certain amounts at an earlier date and/or (iv) otherwise amend the Conditions.

Risks relating to the United Kingdom's withdrawal from the EU.

As the Instruments governed by English law are subject to the jurisdiction of English courts, if no new reciprocal agreement on civil justice is agreed between the U.K. and the remaining members of the EU, there will also be a period of uncertainty concerning the enforcement of English court judgments in Finland as the current regulation concerning the recognition and enforcement of judgments that applies between the U.K. and EU Member States, that is, the Recast Brussels Regulation (Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012) would cease to apply to the United Kingdom (and to U.K. judgments). Further, the U.K. would no longer be a party to the Lugano Convention under which judgments from the courts of contracting states (currently the EU Member States, plus Switzerland, Iceland and Norway) are recognised and enforced in other contracting states.

In its White Paper from July 2018, the U.K. Government stated that it will seek to participate in the Lugano Convention on leaving the EU, which would mean English judgments would continue to be recognised and enforced in Finland (and other contracting states). In the same White Paper, the U.K. Government also stated it will seek a new bilateral agreement with the EU27 concerning cooperation in the area of civil justice including arrangements for the continued mutual recognition and enforcement of judgments. There can, however, be no assurances as to the terms of any final agreement and, as a result, there remains a risk that a judgment entered against the Issuer in a U.K court may not be recognised or enforceable in Finland as a matter of law without a re-trial on its merits (but will be of persuasive authority as a matter of evidence before the courts of law, arbitral tribunals or executive or other public authorities in Finland). Although the U.K. on 29 December 2018 deposited an instrument of accession to the Hague Convention, which would provide a framework for mutual enforcement of exclusive choice of court agreements between the U.K. and EU Member States if no alternative agreement is reached, this accession is already delayed in line with the delays to the wider Brexit process.

I. Risks relating to the form and mechanics of the Instruments

Total cost

Costs are incurred by the Issuer in connection with the issuance of the Instruments due to, among other things, production, distribution, licences, hedging costs, exchange listing and risk management. In order to cover these costs, the Issuer charges brokerage fees and commissions. Such fees and commissions may be factored into the issue price or other terms of the Instruments (including through the setting of certain economic terms of the Instruments, e.g. the Financing Level or Strike Level) or may be charged separately. The amount of the commission may vary and is affected by the fluctuations in the price of the financial instruments included in the product.

Investors should be aware that market participants have varying possibilities to influence the price of the financial instruments underlying an Instrument. The pricing of the Instruments is normally not made on the basis of negotiated terms but rather it is decided by the Issuer. Hence, there may be a conflict of interest between the Issuer and the investors, to the extent the Issuer is able to influence pricing and has a possibility to make a gain or to avoid a loss in relation to underlying Assets, and the Issuer does not have any fiduciary or other obligation to act in the best interests of Instrumentholders. The transparency relating to the pricing of the Instruments may be limited.

Hedging activities of the Issuer and affiliates

The Issuer and/or its affiliates may carry out hedging activities related to the Instruments, including purchasing the Underlying Asset(s) or components of the Underlying Asset(s), but will not be obliged to do so. Certain of the Issuer's affiliates may also purchase and sell the Underlying Asset(s) and/or component of the Underlying Asset on a regular basis as part of their securities businesses. Any of these activities could potentially affect the value or level of the Underlying Asset and, accordingly, the value of the Instruments. In addition, the disruption of such hedging arrangements or material increase in cost of such hedging arrangements may lead to an early redemption of the Instruments in whole (but not in part) as specified in the relevant Final Terms.

If the Issuer determines that there has been a change in any market standard terms or market trading conventions which affect any hedging transaction entered into by the Issuer or another member of the Nordea Group in order to hedge the Issuer's obligations in relation to the Instruments, the Issuer reserves the right (without the consent of Instrumentholders) to amend the corresponding provisions of the Conditions in order to preserve consistency with the relevant hedging transaction.

Conflicts of interest

The Issuer and/or its affiliates may also purchase and sell the Underlying Asset(s), and/or components of the Underlying Assets on a regular basis as part of their securities businesses. Any of these activities could potentially affect the value or level of the Underlying Asset(s) and in turn the value of the Instruments.

The Issuer and/or its affiliates may from time to time advise the issuer of or obligors in respect of an Underlying Asset or any component of an Underlying Asset regarding transactions to be entered into by them, or engage in transactions involving any Underlying Asset for its proprietary account and for other accounts under its management. Any such transactions may have a positive or negative effect on the value of such Underlying Asset, the value or level of such Underlying Asset and therefore on the value of the Instruments.

Accordingly, certain conflicts of interest may arise between the interests of the Issuer and the interests of holders of Instruments.

Index disclaimer

Index-Linked Instruments are not sponsored, endorsed, sold or promoted by any index to which they are indirectly linked or any sponsor of such index and such index sponsor has made no representation whatsoever, whether express or implied, either as to the results to be obtained from the use of any index and/or the levels at which such index stands at any particular time on any particular date or otherwise. No index sponsor shall be liable (whether in negligence or otherwise) to any person for any error in any index and an index sponsor is under no obligation to advise any person of any error within an index. An index sponsor has made no representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with such Instruments. Neither the Issuer nor the Calculation Agent shall have any liability to any person for any act or failure to act by an index sponsor in connection with the calculation, adjustment or maintenance of an index. Neither the Issuer nor the Calculation Agent has any affiliation with or control over any index or index sponsor or any control over the computation, composition or dissemination of any index. Although the Issuer and the Calculation Agent will obtain information concerning an index to which the Instruments are linked from publicly available sources they believe to be reliable, they will not independently verify this information.

Because the Global Instruments are held by or on behalf of clearing systems, investors will have to rely on the relevant clearing system's procedures for transfer, payment and communication with the Issuer.

Instruments issued under the Programme may be represented by one or more Global Instruments. Such Global Instruments will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system. Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive definitive Instruments. The relevant clearing system(s) will maintain records of the beneficial interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their beneficial interests only through the relevant clearing system(s).

While the Instruments are represented by one or more Global Instruments, the Issuer will discharge its payment obligations under the Instruments by making payments to the common depositary for the relevant clearing system(s) or a nominee thereof for distribution to their account holders. A holder of a beneficial interest in a Global Instrument must rely on the procedures of the relevant clearing system(s) to receive payments under the relevant Instruments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Instruments.

Holders of beneficial interests in the Global Instruments will not have a direct right to take enforcement action against the Issuer in the event of a default under the relevant Instruments but will have to rely upon their rights under the Deed of Covenant.

Investors may have to rely on the VP's, VPS's, Euroclear Finland's or Euroclear Sweden's procedures (as the case may be) for transfer, payment and communication with the Issuer.

Investors in VP Instruments, VPS Instruments, Finnish Instruments or Swedish Instruments will have to rely on the relevant clearing system's or the relevant Issuing Agent's, as the case may be, procedures for transfer, payment and communication with the Issuer.

VP Instruments, VPS Instruments, Finnish Instruments or Swedish Instruments issued under the Programme will not be evidenced by any physical note or document of title other than statements of account made by the VP, the VPS, Euroclear Finland or Euroclear Sweden, as the case may be. Ownership of VP Instruments, VPS Instruments, Finnish Instruments or Swedish Instruments will be recorded and transfer effected only through the book entry system and register maintained by the VP, the VPS, Euroclear Finland or Euroclear Sweden, as the case may be.

J. Risks relating to interest features of the Instruments

There are risks that certain benchmarks may be administered differently or discontinued in the future, including the potential phasing-out of LIBOR after 2021, which may adversely affect the trading market for, value of and return on, Instruments based on such benchmarks.

Rates and indices which are deemed to be "benchmarks" are the subject of recent international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently from the past or disappear entirely, or have other consequences that cannot be predicted.

The Benchmarks Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds was published in the Official Journal of the EU on 29 June 2016 and became applicable from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Instruments linked to a rate or index deemed to be a benchmark, in particular, if the methodology or other terms of a benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to such benchmark; (ii) trigger changes in the rules or methodologies used in the benchmarks or (iii) lead to the disappearance of the benchmark. Any of these events could also have an effect on the operation of the conditions of the Instruments, see "*—Risks relating to particular Underlying Assets —Risks relating to market disruption and extraordinary events*" below.

Furthermore, LIBOR is the subject of ongoing regulatory reforms. Following the implementation of any of these reforms, the manner of administration of LIBOR may change, with the result that it may perform differently than in the past or be eliminated entirely, or there could be other consequences that cannot be predicted. For example, on 27 July 2017, the FCA, which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). Further, on 12 July 2018 the FCA announced that LIBOR may cease to be a regulated benchmark under the Benchmarks Regulation. The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. At this time, it is not possible to predict the effect of any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Uncertainty as to the nature of such alternative reference rates or other reforms may adversely affect the trading market for LIBOR-linked securities. The potential elimination of benchmarks, such as LIBOR, the establishment of alternative reference rates or changes in the manner of administration of a benchmark could also require adjustments to the terms of benchmark-linked securities and may result in other consequences, such as interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on those securities if the relevant benchmark was available in its current form.

If the Issuer determines that the relevant interest rate or benchmark has ceased to be published, or considers that there may be a Successor Rate (as defined in the Conditions) then the Issuer shall use reasonable endeavours to determine a Successor Rate or an alternative benchmark rate (the "**Alternative Benchmark Rate**") and (in either case) an adjustment spread, if applicable (as further described in Condition 9(h) (*Benchmark Cessation*)). If it has been determined that the relevant interest rate or benchmark has ceased to be published, but (i) the Issuer is unable to select the Successor Rate or Alternative Benchmark Rate, and (ii) the Issuer is unable or unwilling to determine the Successor Rate or Alternative Benchmark Rate, the Issuer may elect to redeem the Instruments.

The Issuer may take steps to identify a Successor Rate even though the existing reference rate continues to be published and regardless of whether a Benchmark Event has occurred in respect of the existing reference rate. Should the Issuer determine a Successor Rate, the Successor Rate will be used to determine the payments applicable to the Instruments of that Series in place of the existing reference rate. If the Issuer is unable to select a Successor rate, then the existing reference rate will continue to be used, unless a Benchmark Event has also occurred, in which case the further fallbacks set out in the Conditions will apply, which may include the early redemption of the Instruments.

The use of a Successor Rate or an Alternative Benchmark Rate may result in payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Instruments if the relevant benchmark remained available in its current form. Furthermore, the Issuer may have to exercise its discretion to determine (or to elect not to determine) a Successor Rate or an Alternative Benchmark Rate or adjustment spread, if applicable in a situation in which it is presented with a conflict of interest. In addition, the application of the Adjustment Spread to the Instruments may result in the Instruments performing differently (which may include payment of a lower interest rate) than they would do if the Base Rate were to continue to apply in its current form.

Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under Instruments linked to a benchmark or could have a material adverse effect on the value or liquidity of, and the amount payable under, such Instruments. Investors should consider these matters when making their investment decision with respect to such Instruments.

Risks relating to variable rate Instruments with a multiplier or other leverage factor.

Instruments with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for Instruments that do not include those features.

Risks relating to inverse floating rate Instruments.

Inverse floating rate Instruments have an interest rate equal to a fixed rate minus a rate based upon a reference rate, such as LIBOR. The market values of such Instruments typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Instruments are more volatile because an increase in the reference rate not only decreases the interest rate of the Instruments, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Instruments.

Risks relating to Range Accrual Instruments.

Range Accrual Instruments provide for interest to be paid either (i) on interest payment dates occurring at regular intervals throughout the life of the Instruments; or (ii) in a single amount at maturity.

The amount of interest that an investor in the Instruments receives is linked to the performance of the Underlying Asset(s) specified in the relevant Final Terms and on how many actual days during the relevant Interest Period or Valuation Period the level or value of the Underlying Asset(s) remains within a certain range, (the upper and lower limit of which is specified in the relevant Final Terms). If the level or value of the Underlying Asset(s) is below the lower limit or higher than the upper limit on some or all of the days in an Interest Period or Valuation Period, the investor may receive low or even zero interest payments, respectively, for the relevant Interest Period. Holders should note that no interest accrues on days when the level or value of the Underlying Asset(s) is outside of the range specified. The rate at which interest accrues may be a fixed rate, floating rate or other rate specified in the relevant Final Terms. Interest payable on the Instruments is therefore also linked to the volatility of the level or value of the Underlying Asset(s). Range Accrual Instruments may not be suitable for investors who require regular income payments.

K. Risks relating to particular Underlying Assets

Risks relating to the performance of the Underlying Asset(s)

With structured Instruments (for example, equity-linked Instruments, currency-linked Instruments, fund-linked Instruments, commodity-linked Instruments and other possible structures) the yield, and sometimes also the payment of the Settlement Amount, depends on the performance of one or more Underlying Assets, such as equities, indices, interest rates, currencies, fund units, commodities or baskets thereof, or combinations or the relationship between assets. If the repayment of part of or an invested amount is linked to the performance of Underlying Assets, the investor may risk losing the entire invested amount. The value of an Instrument will be affected by the value of the Underlying Asset. The valuations of the Underlying Asset may take place both during the term and on or about the relevant maturity date and the performance may be positive or negative for the holder. The Holder's right to yield, and where applicable repayment, thus depends on the performance of the Underlying Asset and applicable performance structure. The value of an Instrument may, in addition to changes in the price of the Underlying Asset, be determined by the intensity of the price fluctuations of the Underlying Asset (commonly referred to as volatility), expectations regarding future volatility, market interest rates and expected dividends or other distributions on the Underlying Asset.

Potential investors should be aware that:

(a) the market price of such Instruments may be volatile;

(b) they may receive no return or yield;

(c) payment may occur at a different time;

(d) the amount payable at redemption may be less than the amount originally invested in such Instruments or even zero;

(e) the Underlying Asset may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(f) where the Instrument is designed to provide a return in a declining market (a put warrant or Bear Certificate) an increase in the value of the Underlying Asset may generate a decrease in the value of the Instrument;

(g) if the performance of the Instruments contains a multiplier greater than one (or minus one) or contains some other leverage factor, the effect of changes in the Underlying Asset on amounts payable in respect of the Instruments is likely to be magnified; and

(h) the timing of changes in the value of one or more Underlying Asset may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the value of one or more Underlying Asset, the greater the effect on yield.

Further, Holders of Instruments and prospective purchasers of such Instruments should ensure that they understand the nature of such Instruments and the extent of their exposure to risk and that they consider the suitability of such Instruments as an investment in light of their own circumstances and financial condition. A small movement in the value of one or more Underlying Asset may result in a significant change in the value of such Instruments. Holders of such Instruments, and prospective purchasers of such Instruments, should form their own views of the merits of an investment based upon such investigations.

No ownership rights

An investment in the Instruments is not the same as an investment in the Underlying Asset(s) and does not confer any legal or beneficial interest in the Underlying Asset(s) or any component of the Underlying Asset(s) or any voting rights, rights to receive dividends or other rights that a holder of the Underlying Asset(s) or any component of the Underlying Asset(s) would have. The Instruments are unsubordinated and unsecured obligations of the Issuer. No security has been taken in respect of the Underlying Asset(s) or any component of the Underlying Asset(s).

Risks associated with Baskets comprising various constituents as Underlying Assets

(a) *Exposure to performance of basket and its underlying constituents*

Where the Instruments reference one or more basket(s) of assets as Underlying Assets, the investors in such Instruments are exposed to the performance of such basket(s). The investors will bear the risk of the performance of each of the basket constituents.

(b) *A high correlation of basket constituents may have a significant effect on amounts payable*

Correlation of basket constituents indicates the level of interdependence among the individual basket constituents with respect to their performance. If, for example, all of the basket constituents originate from the same sector and the same country, a high positive correlation may generally be assumed. Past rates of correlation may not be determinative of future rates of correlation: investors should be aware that, though basket constituents may not appear to be correlated based on past performance, it may be that they suffer the same adverse performance following a general downturn or other economic or political event. Where the basket constituents are subject to high correlation, any move in the performance of the basket constituents will exaggerate the performance of the Instruments.

(c) *The negative performance of a single basket constituent, or a single basket in multiple-basket structures, may outweigh a positive performance of one or more other basket constituents or baskets*

Investors in Instruments must be aware that, even in the case of a positive performance of one or more basket constituents, or a single basket in multiple-basket structures, the performance of the basket or the Instruments as a whole may be negative if the performance of the other basket constituents or other baskets is negative to a greater extent, subject to the terms and conditions of the relevant Instruments.

(d) *A small basket, an unequally weighted basket will generally leave the basket more vulnerable to changes in the value of any particular basket constituent*

The performance of a basket that includes a fewer number of basket constituents will generally, subject to the terms and conditions of the relevant Instruments, be more affected by changes in the value of any particular basket constituent included therein than a basket that includes a greater number of basket constituents.

The performance of a basket that gives greater weight to some basket constituents or bases the level of the entire basket only on the value of one of the basket constituents will generally, subject to the terms and conditions of the relevant Instruments, be more affected by changes in the value of any such particular basket constituent included therein than a basket that gives relatively equal weight to each basket constituent.

(e) *A change in composition of one or more basket(s) may have an adverse effect on Basket Return*

Where the Instruments grant the Issuer or the Calculation Agent the right, in certain circumstances, to adjust the composition of the basket, investors should be aware that any replacement basket constituent may perform differently from the anticipated performance of the original basket constituent, which may have an adverse effect on the performance of the basket.

Risk relating to limited information in relation to certain Underlying Assets

In relation to certain Underlying Assets, for example, certain hedge funds or indices composed of hedge funds, there is limited access to information since, among other things, the official closing price of some of these Underlying Assets is published less frequently. The composition of certain indices and funds may be confidential for strategic reasons. Other factors limiting transparency in relation to such Underlying Assets may be that the Underlying Asset is not subject to continuous trading, that valuation models for determination of the value of the Underlying Assets are not reported to the investors and those underlying factors which affect the value of the Underlying Asset are not public.

Currency fluctuations

Foreign exchange rates may be affected by complex political and economic factors, including relative rates of inflation, interest rate levels, the balance of payments between countries, the extent of any governmental surplus or deficit and the monetary, fiscal and/or trade policies pursued by the governments of the relevant currencies. Currency fluctuations may affect the value or level of the Underlying Assets in complex ways. If such currency fluctuations cause the value or level of the Underlying Assets to vary, the value or level of the Instruments may fall. If the value or level of one or more Underlying Asset(s) is denominated in a currency that is different from the currency of the Instruments, investors in the Instruments may also be subject to increased foreign exchange risk and may suffer significant losses even if the value of the Underlying Asset in its currency of denomination is at or above its original level. Previous foreign exchange rates are not necessarily indicative of future foreign exchange rates.

Risks relating to market disruption and extraordinary events

Market disruption can occur, for example, if the trading in Underlying Assets is suspended or an official price for some reason is not listed, for example upon the discontinuation of a published rate or index. In conjunction with market disruption, the value of Underlying Assets is determined at a different time than initially intended and, in certain cases, also by another method than initially intended. Certain Underlying Assets such as equities, equity baskets or fund units may be affected by extraordinary events such as delisting, nationalisation, bankruptcy, liquidation or the equivalent or a share split, new share issue, bonus issue, issuance of warrants or convertibles, reverse share split or buyback in respect of such equity or equity basket which constitutes an Underlying Asset. For all Instruments, events such as changes in the law or increased costs for risk management may arise. If so, the Issuer may, at its sole discretion and in accordance with Condition 11 (*Extraordinary Events*) replace one Underlying Asset with another Underlying Asset, or make adjustments to the calculation of the yield or value of the Instruments, to the extent that the Issuer deems necessary in order for the calculation of the yield or value of Instruments to, in the Issuer's opinion, reflect the manner in which yield or value was previously calculated. It may be that the Issuer believes that such adjustments cannot procure a fair result, in which case the Issuer may redeem the Instruments early and determine the Settlement Amount or the yield. See also - Condition 11 (*Extraordinary Events*), which sets out the rights of the Issuer to make any adjustments in an extraordinary event.

Reading of values of Underlying Assets

In certain yield structures, the initial price or the closing price is recorded on a number of occasions in order to calculate an average price. The aim is to minimise the risk of single extreme values greatly affecting the price. Investors should, however, appreciate the fact that the value on such recording occasions will affect the average price, entailing that the relevant price may be lower or higher than the actual price on the any specific day. In some Instruments however, the value is determined on the basis of a single valuation, hence, there is a risk that some extreme values could affect the initial price or the final price (as applicable).

Risks associated with Equities as Underlying Assets

(a) *Factors affecting the performance of equities may adversely affect the value of the Instruments*

The performance of equities is dependent upon macroeconomic factors, such as interest rates and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

(b) *No claim against the issuer of the Underlying Assets or recourse to the Underlying Assets*

Equity linked Instruments do not represent a claim against or an investment in any issuer of equity securities (an "**Equity Issuer**") to which they are linked and Instrumentholders will not have any right of recourse under the Instruments to any such company or the equities. The Instruments are not in any way sponsored, endorsed or promoted by any Equity Issuer and such companies have no obligation to take into account the consequences of their actions for any Instrumentholders. Accordingly, the issuer of an equity may take any actions in respect of such equity without regard to the interests of the investors in the Instruments, and any of these actions could adversely affect the market value of the Instruments.

In the event of actions having a dilutive or concentrative effect on the theoretical value of the underlying equity, or extraordinary events such as a merger or spin-off, the Issuer may make adjustments to the terms of the Instruments to reflect the occurrence of such event, and may recalculate the economic terms of the Instrument or adjust the underlying assets as deemed appropriate by the Issuer to preserve the theoretical value of the Instruments.

In the case of Instruments relating to equities, no issuer of such equities will have participated in establishing the terms of the Instruments and neither Issuer will make any investigation or enquiry in connection with such offering with respect to the information concerning any such issuer of equities contained in the relevant Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant Issue Date (including events that would affect the accuracy or completeness of the publicly available documents described in this paragraph or in any relevant Final Terms) that would affect the trading price of the equities will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of equities could affect the trading price of the equities and therefore the trading price of the Instruments.

Risks associated with Indices as Underlying Assets

(a) *Factors affecting the performance of Indices may adversely affect the value of the Instruments*

Indices comprise a synthetic portfolio of shares or other assets and, as such, the performance of an Index is dependent upon the macroeconomic factors relating to the shares or other components that comprise such Index, which may include interest rates and price levels on the capital markets, currency developments, political factors and (in the case of shares) company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

(b) *Exposure to the risk that returns on the Instruments do not reflect direct investment in underlying equities or other items comprising the Index*

The return payable on Instruments that reference Indices may not reflect the return an investor would realise if he or she actually owned the relevant items comprising the components of the Index. For example, if the components of the Indices are shares, Instrumentholders will not receive any dividends paid on those shares and will not participate in the return on those dividends unless the relevant Index takes such dividends into account for purposes of calculating the relevant level. Even if the rules of the relevant underlying Index provide that distributed dividends or other distributions of the components are reinvested in the Index and therefore result in raising its level, in some circumstances, the dividends or other distributions may not be fully reinvested in such Index. Similarly, Instrumentholders will not have any voting rights in the underlying equities or any other assets which may comprise the components of the relevant Index. Accordingly, investors in Instruments that reference Indices as Underlying Assets may receive a lower payment upon settlement or redemption of such Instruments than such investor would have received if he or she had invested in the components of the Index directly.

(c) *A change in the composition or discontinuance of an Index could adversely affect the market value of the Instruments*

The sponsor or administrator of any Index can add, delete or substitute the components of such Index or make other methodological changes that could change the level of one or more components. The modification of components of any Index may affect the level of such Index, as a newly added component may perform significantly worse or better than the component it replaces, which in turn may affect the payments made by the Issuer to the investors in the Instruments. The sponsor or administrator of any such Index may also alter, discontinue or suspend calculation or dissemination of such Index, and may be obliged to do so in certain circumstances pursuant to the requirements of the Benchmark Regulation. The sponsor or administrator of an Index will have no involvement in the offer and sale of the Instruments and will have no obligation to any investor in such Instruments. The sponsor or administrator of an Index may take any actions in respect of such Index without regard to the interests of the investor in the Instruments, and any of these actions could adversely affect the market value of the Instruments.

(d) There are additional risks in relation to Commodity Indices, see "*—Risks associated with Commodities as Reference Items*".

(e) There are additional risks in relation to Credit Indices, see "*—Risks associated with Credit Indices as Underlying Assets*".

(f) *Proprietary Indices*

The Nordea Group may from time to time participate in creating, structuring and maintaining indices portfolios or strategies and for which it may act as index sponsor (collectively, "**Proprietary Indices**"). These indices are calculated by an external calculation agent in accordance with rules which describe the methodology for determining the composition and the calculation of these Proprietary Indices (the "**Rules**").

In respect of Proprietary Indices to which Instruments are linked, the Issuer may face a conflict of interest between its obligations as the Issuer of such Instruments and its role (or the role of one or more of its affiliates) as the composer, promoter, designer or administrator of such indices, as the determination of the composition of such indices, any amendment, supplement or modification to the Rules, or any modification of certain parameters or the valuation of certain Component Securities, may have an impact on the price or value of the Instruments.

The Issuer and any other Index Sponsor may, from time to time, exercise reasonable discretion as they deem appropriate in order to ensure the integrity of any Proprietary Index. They may also, in certain circumstances, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. The Issuer and its affiliates do not guarantee the accuracy or completeness of any Proprietary Index, or of the data used to calculate the Index or determine the Index components, or the uninterrupted or timely calculation or dissemination of any Proprietary Index. Moreover, the Issuer and its affiliates do not guarantee that any Index accurately reflects past, present, or future market performance.

The Issuer, or any of its affiliates, may also have banking or other commercial relationships with third parties in relation to a Proprietary Index, and may engage in trading in such index (including such trading as the Issuer and/or its affiliates deem appropriate in their sole and absolute discretion to hedge its market risk on any transactions that may relate to Proprietary Indices), which may adversely affect the level of such Index.

If the hedging activities of the Issuer or any of its affiliates in connection with a particular index are disrupted, the Issuer or the relevant affiliate may also decide to terminate calculations in relation to such Index sooner than another index sponsor would in comparable circumstances.

All of the above factors may result in consequences which may be adverse to Instrumentholders, and may have a detrimental impact on the price or value of the Instruments. The Issuer does not have any duty or obligation to create, operate or maintain Proprietary Indices in a manner that is intended to promote the best interests of Instrumentholders.

Risks associated with Inflation Indices as Underlying Assets

The performance structures may determine the interest and/or redemption amounts payable on the Instruments by reference to the level of an inflation index (an "**Inflation Index**") or a basket of inflation indices, either in the form of Inflation-Linked Instruments or through the use of Inflation Indices as Underlying Assets.

Many economic and market factors may influence an Inflation Index and consequently the value of Instruments relating to Inflation Indices, including:

- general economic, financial, political or regulatory conditions and/or events; and/or
- fluctuations in the prices of various assets, goods, services and energy resources (including in response to supply of, and demand for, any of them); and/or
- the level of inflation in the economy of the relevant country and expectations of inflation.

In particular, the level of an Inflation Index may be affected by factors unconnected with the financial markets.

Risks associated with Foreign Exchange Rates as Underlying Assets or as part of the Performance Structure

Instruments may be denominated in one currency (the "**Reference Currency**") but payable in another currency (the "**Currency**"). The value of the Instruments could therefore be affected by fluctuations in the value of the Reference Currency as compared to the Currency (which may be calculated, where applicable, on a cross-currency basis). This presents certain risks that the exchange rate (or the exchange rates) used to determine the Currency amount of any payments in respect of the Instruments may significantly change (including changes due to devaluation or revaluation of the Currency as compared to the Reference Currency) and the risk that authorities with jurisdiction over such currencies could cause a decrease in (1) the Currency equivalent yield on the Instruments, (2) the Currency equivalent value of the amount payable in respect of the relevant Instruments and (3) the Currency equivalent market value of the Instruments. Therefore, there is a possibility that the Currency value of the Instruments at the time of any sale or redemption, cancellation or exercise, as the case may be, of the Instruments may be below the value of the investor's original investment in the Instruments, depending on the exchange rate at the time of any such sale or redemption, cancellation or exercise, as the case may be.

(a) *Factors affecting the performance of the relevant foreign exchange rate may adversely affect the value of the Instruments*

The foreign exchange rate(s) to which the Instruments are linked will affect the nature and value of the investment return on the Instruments. The performance of foreign exchange rates is dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency.

(b) *Nordea is a major foreign exchange dealer and is subject to conflicts of interest*

Investors should note that certain members of the Nordea Group are regular participants in the foreign exchange markets and in the ordinary course of their business may affect transactions for their own account or for the account of their customers and hold long and short positions in currencies and related derivatives, including in the currencies that constitute Underlying Assets in relation to the Instruments. Such transactions may affect the relevant Underlying Assets, the market price, liquidity or value of the Instruments and could be adverse to the interests of Instrumentholders. No members of the Nordea Group has any duty to enter into such transactions in a manner which is favourable to Instrument Holders.

(c) *Currencies of emerging markets jurisdictions pose particular risks*

Currency-linked Instruments linked to emerging market currencies may experience greater volatility and less certainty as to the future levels of such emerging market currencies or their rate of exchange as against other currencies.

Risks associated with Commodities as Underlying Assets

(a) *Factors affecting the performance of commodities may adversely affect the value of the Instruments; commodity prices may be more volatile than other asset classes*

Trading in commodities is speculative and may be extremely volatile. Commodity prices are affected by a variety of factors that are unpredictable, including, for example, changes in supply and demand relationships, weather patterns and extreme weather conditions, governmental programmes and policies, national and international political, military, terrorist and economic events, fiscal, monetary and exchange control programmes, changes in interest and exchange rates and changes and suspensions or disruptions of market trading activities in commodities and related contracts. Commodity prices may be more volatile than other asset classes, making investments in commodities riskier than other investments.

(b) *Commodities may reference physical commodities or commodity contracts, and certain commodity contracts may be traded on unregulated or "under-regulated" exchanges*

Commodities comprise both (i) "physical" commodities, which need to be stored and transported, and which are generally traded at a "Spot" price, and (ii) commodity contracts, which are agreements either to (A) buy or sell a set amount of an underlying physical commodity at a predetermined price and delivery period (which may be referred to as a delivery month) or to (B) make and receive a cash payment based on changes in the price of the underlying commodity.

Commodity contracts may be traded on regulated specialised futures exchanges (such as futures contracts). Commodity contracts may also be traded directly between market participants "over-the-counter" on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. Accordingly, trading in such "over-the-counter" contracts may not be subject to the same provisions as, and the protections afforded to, contracts traded on regulated specialised futures exchanges, and there may therefore be additional risks related to the liquidity and price histories of the relevant contracts.

(c) *Legal and regulatory changes relating to the Commodities may lead to an early redemption or cancellation*

Commodities are subject to legal and regulatory regimes that may change in ways that could affect the ability of the Issuer or any other member of the Nordea Group engaged in any underlying or hedging transactions in respect of the Issuer's obligations in relation to the Instruments to hedge the Issuer's obligations under the Instruments, and/or could lead to the early redemption or cancellation of the Instruments.

Risks associated with Futures Contracts as Underlying Assets

(a) *Instruments which are linked to futures contracts may provide a different return than Instruments linked to the relevant underlying asset and will have certain other risks*

The price of a futures contract will generally be at a premium or at a discount to the spot price of the underlying asset. This discrepancy is due to such factors as (i) the need to adjust the spot price due to related expenses (e.g. warehousing, transport and insurance costs) and (ii) different methods being used to evaluate general factors affecting the spot and the futures markets. In addition, and depending on the asset, there can be significant differences in the liquidity of the spot and the futures markets. Accordingly, Instruments which are linked to futures contracts may provide a different return than Instruments directly linked to the relevant asset.

Investments in futures contracts involve certain other risks, including potential illiquidity. A holder of a futures position may find that such position becomes illiquid because certain exchanges limit fluctuations in such futures contract prices pursuant to "daily limits". Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless holders are willing to effect trades at or within the limit. This could prevent a holder from promptly liquidating unfavourable positions and subject it to substantial losses. Futures contract prices in various assets occasionally have exceeded the daily limit for several consecutive days with little or no trading. Any such losses in such circumstances could have a negative adverse effect on the return of any Instruments, the Underlying Asset for which is the affected futures contract.

In the case of a direct investment in futures contracts, the invested capital may be applied in whole or in part by way of collateral in respect of the future claims of the respective counterparties under the futures contracts. Such capital will generally bear interest, and the interest yield will increase the return of the investor making such direct investment. However, holders of Instruments linked to the price of futures contracts do not participate in such interest yields from the hypothetical fully collateralised investment in futures contracts.

(b) *Additional risks in relation to the "rolling" of futures contracts (including futures contracts which are components of an Index)*

Futures contracts have a predetermined expiration date – i.e. a date on which trading of the futures contract ceases. Holding a futures contract until expiration will result in delivery of the underlying asset or the requirement to make or receive a cash settlement. Alternatively, "rolling" the futures contracts means that the contracts that are nearing expiration (the "**near-dated futures contracts**") are sold before they expire and futures contracts that have an expiration date further in the future (the "**longer-dated futures contracts**") are purchased. Investments in futures apply "rolling" of the component futures contracts in order to maintain an ongoing exposure to the relevant underlying assets.

"Rolling" can affect the value of an investment in a number of ways, including:

(i) *The investment in futures contracts may be increased or decreased through "rolling"*

Where the price of a near-dated futures contract is greater than the price of the longer-dated futures contract (the contract is said to be in "backwardation"), then "rolling" from the former to the latter will result in exposure to a greater number of the longer-dated contracts being taken. Therefore, any loss or gain on the new positions for a given movement in the prices of the futures contract will be greater than if one had synthetically held the same number of futures contracts as before the "roll". Conversely, where the price of the near-dated futures contract is lower than the price of the longer-dated futures contract (the contract is said to be in "contango"), then "rolling" will result in exposure to a smaller number of the longer-dated futures contract being taken. Therefore, any gain or loss on the new positions for a given movement in the prices of the futures contract will be less than if one had synthetically held the same number of futures contracts as before the "roll".

(ii) *Where a futures contract is in contango (or, alternatively, backwardation), such may be expected to (though it may not) have a negative (or, alternatively, positive) effect over time*

Where a futures contract is in "contango", then the price of the longer-dated futures contract will generally be expected to (but may not) decrease over time as it nears expiry. In such event, rolling is generally expected to have a negative effect on an investment in the futures contract. Where a futures contract is in "backwardation", then the price of the longer-dated futures contract will generally be expected to (but may not) increase over time as it nears expiry. In such event, the investment in the relevant futures contract can generally be expected to be positively affected.

Rolling of Commodity Indices

Commodity indices are indices which track the performance of a basket of commodity contracts on certain commodities, depending on the particular index. The weighting of the respective commodities included in a commodity index will depend on the particular index, and is generally described in the relevant index rules of the index.

Commodity indices apply "rolling" of the component commodity contracts in order to maintain an ongoing exposure to such commodities. Specifically, as a commodity contract is required to be rolled pursuant to the relevant index rules, the commodity index is calculated as if exposure to the commodity contract was liquidated and exposure was taken to another (generally longer-dated) commodity contract for an equivalent exposure. Accordingly, the same effects as described above with regard to "rolling" on the value of an Underlying Asset of the Instruments also apply with regard to the index level of a Commodity index.

Risks associated with Credit Indices as Underlying Assets

(a) *Correlation risk*

An investment in credit linked Instruments will entail significant risks not associated with a conventional fixed rate or floating rate debt security. Such risks include exposure to the credit risk of the entities comprised in the relevant Index in addition to that of the Issuer. Depending on the manner in which the particular Index is linked to the credit of the component entities, a fall in the creditworthiness of a particular entity (or where perceptions worsen regarding the creditworthiness of a particular entity), may greatly reduce the market value of the related Instruments and any payments of principal or interest then due. Furthermore, a credit deterioration in one underlying company may be strongly correlated with credit deterioration of other underlying companies included in the Index, resulting in substantial decreases over a relatively short period of time in the market value of the related Instruments and any payments then due.

(b) *Loss of investment*

In the event of the occurrence of certain circumstances (which may include, amongst other things, Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring, Governmental Intervention or another Event of Default) in relation to one or more entities comprising an Index (a "**Credit Event**"), the Issuer's obligation to pay or perform other obligations under the Instruments may be reduced or extinguished.

Potential investors in any such Instruments should be aware that depending on the terms of the Instruments (i) they may receive no or a limited amount of interest or yield and (ii) they may lose all or a substantial portion of their investment.

(c) *Market price volatility*

The market price of credit linked Instruments may be volatile and will be affected by, amongst other things, the time remaining to the settlement date and the creditworthiness of the Index components which in turn may be affected by the economic, financial and political events in one or more jurisdictions.

(d) *No need for Issuer to suffer loss with respect to any Index component*

The Issuer's obligations in respect of credit linked Instruments are irrespective of the existence or amount of the Issuer's and/or any affiliates' credit exposure to an Index component and the Issuer and/or any affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

(e) *No information regarding Index component*

No investigation has been or will be made regarding any of the Index components. Prospective investors in credit linked Instruments should obtain and evaluate information regarding the Index components as if they were investing directly in the debt obligations of the Index components. In addition, investors should understand that the historical performance of any specific debt obligation or the debt obligations of such Index components generally is not predictive of future performance. As none of the Index components has participated in the preparation of this Base Prospectus, there can be no assurance that all material events or information regarding the Index components have been disclosed at the time the Instruments are issued. Subsequent disclosure of any such events or the failure to disclose material events concerning any of the Index components could affect the redemption amount payable on the Instruments or the general trading price of the Instruments.

(f) *Debt obligations may consist of subordinated debt*

Any debt obligations comprised in credit indices may include subordinated debt obligations. Such subordinated debt obligations will rank junior to, and the value of such subordinated debt obligations may be less than that of, senior obligations in respect of the same constituent entity, and the value of such subordinated debt obligations may even be zero in circumstances where a Credit Event has occurred. The Issuer is under no fiduciary duty to select constituent entities or deliverable assets of any particular value or that maximise value for Instrumentholders.

Risks associated with Certificates

For Bull Certificates (which give a positive return to the investor in the event of a positive performance of the Underlying Asset), if the Underlying Asset becomes worthless (for example, because the company which issued the underlying share has gone into bankruptcy), the Certificates are likely to become worthless. For Bear Certificates (which give a positive return to the investor in the event of a negative performance of the Underlying Asset), the opposite relationship applies.

The value of a Certificate may also be affected by changes in exchange rates, if the Underlying Asset is denominated in a currency other than the Certificate's Currency. An investor in Certificates should note that the entire sum invested may be lost. During the term, the value of a Certificate is affected by changes in volatility, performance and dividends on the Underlying Asset. If the Certificate has a barrier, this may have the consequence that the amount that an investor is entitled to receive on redemption will be less than the invested amount or that the right to a specific return is lost.

Instruments linked to the performance of funds

The Issuer may issue Instruments where the Settlement Amount or, if applicable, the Interest Amount or Yield Amount is linked to the performance of a unit, share or other interest in a fund. Such funds may include mutual funds or any other types of fund in any jurisdiction, or any combination of the foregoing. Investments offering direct or indirect exposure to the performance of funds are generally considered to be particularly risky and may bear similar risks, including but not limited to, market risks to a direct investment in funds.

Prospective investors should note that payments on redemption or termination of Fund-Linked Instruments at maturity, expiration, early redemption or early termination may be postponed, in accordance with the Conditions, up to a specified long stop date and if the specified long stop date is reached, for the purposes of determining the Settlement Amount or any other such redemption amounts, as applicable, the affected fund interest units or shares may be deemed to have a zero value. Prospective investors should also be aware that if one or more events occurs in relation to the Fund or any fund manager, including insolvency of the Fund or fund manager, then the Issuer, may in its sole and absolute discretion, determine whether the Fund-Linked Instruments should be amended or should be redeemed or terminated early. If the Issuer determines that the Fund-Linked Instruments will continue, this may result in the substitution of the affected interests in the fund with other shares or interests with similar characteristics or adjustments to the Conditions of the Instruments to account for the occurrence of the relevant event. These actions may have an adverse effect on the return and risk profile of the relevant Fund-Linked Instruments, and consequently, the value of such Fund-Linked Instruments and if the Fund-Linked Instruments are redeemed or terminated early the amount investors receive may be considerably less than their original investment and may even be zero.

The risks associated with investing in Fund-Linked Instruments are similar to the risks attached to a direct investment in the underlying fund or funds. There are substantial risks in directly or indirectly investing in funds including, without limitation, the risks set out below. Prospective investors should note that references to funds below can refer both to the funds referenced in any Fund-Linked Instruments and also to any funds in which any of those funds invests its assets from time to time:

Investments risks that prospective investors should be aware of include the following:

1. Different types of funds are subject to differing levels of regulatory supervision.

2. Funds may have varying restrictions on leverage. Leverage presents the potential for a higher rate of return but also increases the volatility of the fund and increases the risk of a total loss of the amount invested.

3. Funds may have differing investment restrictions and some funds may invest in assets which are illiquid or difficult to transfer. This may have an effect on the realisation of such assets and in turn, the value and performance of the fund. In addition, a fund's assets or investments may be concentrated in a few markets, countries, industries, commodities, sectors of an economy or Issuer.

If so, adverse movements in a particular market, country, industry, commodity, economy or industry or in the value of the securities of a particular issuer could have a severely negative effect on the value of such a fund. In addition, a fund may use a single advisor or employ a single strategy, which could mean a lack of diversification and higher risk.

4. Substantial redemptions by holders of interests in a fund within a short period of time could require the fund's investment manager(s) and/or adviser(s) to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of the fund's assets.

5. The performance of a fund will be heavily dependent on the performance of investments selected by its advisers or investment managers and the skill and expertise of such fund service providers in making successful and profitable investment decisions. Such skill and expertise may be concentrated in a number of the adviser's or investment manager's key personnel. Should these key personnel leave or become no longer associated with the fund's adviser or investment manager, the value or profitability of the fund's investments may be adversely affected as a result.

L. Risks relating to certain performance features

Risks related to the complexity of the product

The yield structure for the Instruments is sometimes complex and may contain mathematical formulae or relationships which, for the investor, may be difficult to understand and compare with other investment alternatives. The relationship between yield and risk may be difficult to assess. As to the correlation between yield and risk it can generally be said that a relatively high yield most often is associated with relatively greater levels of risk. One way of increasing the probability of a higher yield is, for example, to include leverage effects in the yield structure which results in comparatively small changes in the performance of Underlying Assets that may have major effects for the value and yield on Instruments. Such a structure is generally also associated with a higher risk (see *Risks relating to particular Underlying Assets*). The past performance of corresponding investments is only a description of the historical performance of the investment and shall not to be regarded as an indication of future yield. Information regarding past performance is not available with respect to certain reference objects; for example, with respect to certain hedge funds. Investors should carefully consider which yield structure applies to the Instruments or Instruments in which the investor is investing in order to obtain an understanding of how the relevant Instruments operate in different scenarios and the risks an investment in the Instruments entails.

Leverage Risks

Due to the structure of Warrants, Turbo Warrants, Market Warrants, MINI Futures, Mini Futures Baskets or Unlimited Turbos, the performance of the underlying asset impacts on the price of the Warrants, Turbo Warrants, Market Warrant, MINI Futures, Mini Futures Baskets or Unlimited Turbos and may lead to larger profits or losses on invested capital than if the investment had been made directly in the underlying asset. This is normally expressed by saying that Warrants, Turbo Warrants, Market Warrants, MINI Futures, Mini Futures Baskets or Unlimited Turbos have a leverage effect compared with an investment in the underlying asset, i.e. a change in price (both upwards and downwards) for the underlying asset results, in percentage terms, in a greater change in the value of the Warrants, Turbo Warrants, Market Warrants, MINI Futures, Mini Futures Baskets or Unlimited Turbos. Leveraged structures offer a higher exposure to the Underlying Asset than the amount that the invested capital would otherwise allow. The leverage is often created by the application of a participation ratio or multiplier which gives a greater than 100 per cent exposure to the Underlying Assets. The leverage can sometimes vary over time according to a predefined mechanism. Such mechanism may also serve the purpose of keeping the leverage and/or the exposure to the Underlying Assets within certain limits. Consequently, the risk associated with an investment in Warrants, Turbo Warrants, Market Warrants, MINI Futures, Mini Futures Baskets or Unlimited Turbos is greater than with an investment in underlying assets. Warrants, Turbo Warrants, Market warrants, MINI Futures, Mini Futures Baskets or Unlimited Turbos may become worthless.

Risks relating to short exposures

A "long" exposure means that the performance of the Instrument will appreciate when the value of the underlying asset increases. Conversely Instruments that have a "short" exposure, including Bear Certificates, will decline in value where the value of the underlying asset increases. A rise in the value of the underlying asset could therefore result in the investor losing some or all of the invested capital.

Caps and floors

The formula or other basis for determining the value and/or performance of the Underlying Asset in respect of a Series of Instruments (or of individual Basket Components) may provide for a maximum value, or cap, such that any value and/or performance of the Underlying Asset (or individual Basket components) in excess of the applicable cap will not be taken into account for the purposes of the relevant determination. Amounts payable on the Instruments linked to such capped value and/or performance will be limited accordingly. The formula or other basis for determining the value and/or performance of the Underlying Asset (or Basket Components) may provide for a minimum value, or floor, such that any value or performance of the Underlying Asset (or Basket Components) below the applicable floor will not be taken into account for the purposes of the relevant determination. Any such floor may not however be set at a level that ensures that the principal amount of the Instruments is fully protected, and an investor may still lose a significant proportion of their invested capital.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Central Bank shall be incorporated in, and form part of, this Base Prospectus:

1. The Terms and Conditions of the Instruments contained in the Base Prospectus dated 15 June 2016, pages 131 to 234 (inclusive) available at:

   https://www.nordea.com/en/investor-relations/debt-and-rating/Prospectuses/

2. The Terms and Conditions of the Instruments contained in the Base Prospectus dated 15 June 2017, pages 72 to 126 (inclusive) available at:

   https://www.nordea.com/en/investor-relations/debt-and-rating/Prospectuses/

3. The Terms and Conditions of the Instruments contained in the Base Prospectus dated 14 June 2018, pages 78-135 (inclusive) available at:

   https://www.nordea.com/en/investor-relations/debt-and-rating/Prospectuses/

4. The Terms and Conditions of the Instruments contained in the Base Prospectus dated 18 December 2018, pages 76-134 (inclusive) available at:

   https://www.nordea.com/en/investor-relations/debt-and-rating/Prospectuses/

Copies of the document incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London. In addition, such documents will be available at https://www.nordea.com. Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on websites referred to in this Base Prospectus do not form part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Instruments, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Instruments.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any websites referred to herein do not form part of this Base Prospectus.

FORM OF THE INSTRUMENTS

Instruments may be issued as Registered Instruments (as defined below), VP Instruments, VPS Instruments, Finnish Instruments or Swedish Instruments, as specified in the relevant Final Terms.

Form of Registered Instruments

Instruments of each Tranche of each Series to be issued in registered form ("**Registered Instruments**") will be in the form of either individual Instruments in registered form ("**Individual Instruments**") or a global Instrument in registered form (a "**Global Registered Instrument**"), in each case as specified in the relevant Final Terms.

Each Global Registered Instrument will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms for Individual Instruments.

If the relevant Final Terms specifies the form of Instruments as being "Individual Instruments", then the Instruments will at all times be in the form of Individual Instruments issued to each Instrumentholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Instruments as being "Global Registered Instrument exchangeable for Individual Instruments", then the Instruments will initially be in the form of a Global Registered Instrument which will be exchangeable in whole, but not in part, for Individual Instruments if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention permanently to cease business or does in fact do so.

Whenever the Global Registered Instrument is to be exchanged for Individual Instruments, the Issuer shall procure that Individual Instruments will be issued in an aggregate amount equal to the amount of the Global Registered Instrument within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Instrument to the Registrar of such information as is required to complete and deliver such Individual Instruments (including, without limitation, the names and addresses of the persons in whose names the Individual Instruments are to be registered and the amount of each such person's holding) against the surrender of the Global Registered Instrument at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Fiscal Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Instruments have not been delivered by 6.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Instrument; or

(b) any of the Instruments represented by a Global Registered Instrument (or any part of it) has become due and payable in accordance with the Conditions of the Instruments or the date for final redemption of the Instruments has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Instrument in accordance with the terms of the Global Registered Instrument on the due date for payment,

then, at 6.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 6.00 p.m. (London time) on such due date (in the case of (b) above) the Global Registered Instrument will become void and the holder of the Global Registered Instrument will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Instrument or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Instrument will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Instrument became void, they had been the holders of Individual Instruments in an aggregate amount equal to the principal amount of Instruments they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Instruments

The terms and conditions applicable to any Individual Instrument will be endorsed on that Individual Instrument and will consist of the terms and conditions set out under "*Terms and Conditions of the Instruments*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Instrument will differ from those terms and conditions which would apply to the Instrument were it in definitive form to the extent described under "*Summary of Provisions Relating to the Instruments while in Global Form*" below.

Form of VP Instruments

Each Tranche of VP Instruments will be issued in uncertificated and dematerialised book entry form in accordance with the Danish Capital Markets Act (Consolidated Act No. 931 of 6 September 2019, as amended or replaced from time to time) (*Kapitalmarkedsloven*) (the "**Danish Capital Markets Act**"), the Danish Executive Order No. 1175 of 31 October 2017, as amended from time to time (*Bekendtgørelse om registrering m.v. af fondsaktiver i en værdipapircentral (CSD)*) (the "**Danish Executive Order**") and the VP Rule Book dated 1 April 2019, as amended from time to time (the "**VP Rule Book**"). No global or definitive Instruments will be issued in respect thereof. The holder of a VP Instrument will be the person evidenced as such by the register for such Instrument maintained by VP Securities A/S. Where a nominee in accordance with the Danish Capital Markets Act is so evidenced it shall be treated as the holder of the relevant VP Instrument.

Form of VPS Instruments

Each Tranche of VPS Instruments will be issued in uncertificated and dematerialised book entry form cleared and settled through the VPS. Legal title to the VPS Instruments will be evidenced by book entries in the records of the VPS.

Settlement of sale and purchase transactions in respect of the VPS Instruments in the VPS will take place in accordance with market practice at the time of the transaction. Transfers of interests in the relevant VPS Instruments will take place in accordance with the rules and procedures for the time being of the VPS.

Title to the VPS Instruments will pass by registration in the registers between the direct or indirect accountholders at the VPS in accordance with the rules and procedures of the VPS. The holder of a VPS Instrument will be the person evidenced as such by a book entry in the records of the VPS. The person evidenced (including any nominee) as a holder of the VPS Instruments shall be treated as the holder of such VPS Instruments for the purposes of payment of principal or interest on such VPS Instruments. The expressions "Instrumentholders" and "holder of Instruments" and related expressions shall, in each case, be construed accordingly.

Form of Finnish Instruments

Each Tranche of Finnish Instruments will be issued in uncertificated and dematerialised book-entry form in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity (Fin. *laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* (348/2017)), as amended, and with the Finnish Act on Book-Entry Accounts (Fin. *laki arvo-osuustileistä* (827/1991)), as amended. No global or definitive Instruments will be issued in respect thereof. The holder of a Finnish Instrument will be the person evidenced as such by the register for such Instrument maintained by Euroclear Finland on behalf of the Issuer. Where a nominee in accordance with such legislation is so evidenced it shall be treated by the Issuer as the holder of the relevant Finnish Instrument.

Form of Swedish Instruments

Each Tranche of Swedish Instruments will be issued in uncertificated and dematerialised book entry form in accordance with the Swedish Financial Instruments Accounts Act (*Sw. lag (1998:1479) om* *värdepapperscentraler och kontoföring av finansiella instrument*) as amended (the "**SFIA Act**"). No global or definitive Instruments will be issued in respect thereof. The holder of a Swedish Instrument will be the person evidenced as such by the register for such Instrument maintained by Euroclear Sweden on behalf of the Issuer. Where a nominee (*Sw. förvaltare*) in accordance with the SFIA Act is so evidenced it shall be treated by the Issuer as the holder of the relevant Swedish Instrument.

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Instruments represented by a Global Registered Instrument, references in the Conditions of the Instruments to "Instrumentholder" are references to the person in whose name such Global Registered Instrument is for the time being registered in the Register which, for so long as the Global Registered Instrument is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Instrument (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Registered Instrument and in relation to all other rights arising under such Global Registered Instrument. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Registered Instrument will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Instruments are represented by a Global Registered Instrument, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Instruments and such obligations of the Issuer will be discharged by payment to the holder of such Global Registered Instrument.

Conditions applicable to Global Registered Instruments

Each Global Registered Instrument will contain provisions which modify the Conditions of the Instruments as they apply to the Global Registered Instrument. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Registered Instrument which, according to the Conditions of the Instruments, require presentation and/or surrender of an Individual Instrument will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Registered Instrument to or to the order of the Registrar and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Instruments.

Payment Business Day: In the case of a Global Registered Instrument, the Business Day for the purposes of payments shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Relevant Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Relevant Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Instrument will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Instrument is being held is open for business.

Notices: Notwithstanding Condition 19 (*Notices*), while all the Instruments are represented by a Global Registered Instrument deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system notices to Instrumentholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Instrumentholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

CLEARING AND SETTLEMENT

*The information set out below is subject to changes in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg, VP, VPS, Euroclear Sweden or Euroclear Finland (the "**Clearing Systems**") from time to time. Investors wishing to use the facilities of any Clearing System must check the rules, regulations and procedures of the relevant Clearing System which are in effect at the relevant time.*

General

The Instruments will be cleared and settled through Euroclear and/or Clearstream, Luxembourg or, in the case of VP Instruments, the VP or, in the case of VPS Instruments, the VPS or, in the case of Swedish Instruments, Euroclear Sweden or, in the case of Finnish Instruments, Euroclear Finland.

Euroclear

The Euroclear System was created in 1968 to hold securities for participants in Euroclear ("**Euroclear Participants**") and to effect transactions between Euroclear Participants through simultaneous book entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfer of securities and cash. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear group reshaped its corporate structure in 2000 and 2001, transforming the Belgian company Euroclear Clearance System (Société Coopérative) into Euroclear Bank SA/NV, which now operates the Euroclear System. In 2005, a new Belgian holding company, Euroclear SA/NV, was created as the owner of all the shared technology and services supplied to each of the Euroclear CSDs and the ICSDs. Euroclear SA/NV is owned by Euroclear plc, a company organised under the laws of England and Wales, which is owned by market participants using Euroclear services as members.

As an ICSD, Euroclear provides settlement and related securities services for cross-border transactions involving domestic and international bonds, equities, derivatives and investment funds, and offers clients a single access point to post-trade services in over 40 markets.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels.

Clearstream, Luxembourg

Clearstream, Luxembourg located at 42 Avenue JF Kennedy, L-1855 Luxembourg was incorporated in 1970 as a limited company under Luxembourg law. It is registered as a bank in Luxembourg, and as such is subject to regulation by the CSSF, which supervises Luxembourg banks.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions by book entry transfers between their accounts. Clearstream, Luxembourg provides various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships. Over 300,000 domestic and internationally traded bonds, equities and investment funds are currently deposited with Clearstream. Currently, Clearstream, Luxembourg has approximately 2,500 customers in over 110 countries. Indirect access to Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg.

The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

VP

VP is a Danish public limited liability company and is subject to the Danish Capital Markets Act, the Danish Executive Order and the VP Rule Book. VP is the central organisation for registering securities in Denmark and is a CSD and Clearing Centre.

Settlement of sale and purchase transactions in respect of Instruments in the VP will take place in accordance with market practice at the time of the transaction. Transfers of interests in a VP Instrument will take place in accordance with the VP Rules. Secondary market clearance and settlement through Euroclear is possible through depositary links established between the VP and Euroclear. Transfers of Instruments held in the VP through Clearstream, Luxembourg are only possible by using an account holding institute linked to the VP.

The address of VP is VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark.

VPS

VPS is a Norwegian public limited company authorised to register rights to financial instruments subject to the legal effects laid down in the Securities Register Act. VPS settles trades in the Norwegian securities market, and provides services relating to stock issues, distribution of dividends and other corporate actions for companies registered in VPS.

Settlement of sale and purchase transactions in respect of Instruments in the VPS will take place two Oslo business days after the date of the relevant transaction. Instruments in the VPS may be transferred between accountholders at the VPS in accordance with the procedures and regulations, for the time being, of the VPS. A transfer of Instruments which are held in the VPS through Euroclear or Clearstream, Luxembourg is only possible by using an account operator or custodian linked to the VPS System.

The address of VPS is Verdipapirsentralen ASA, P.O. 1174 Sentrum, 0107 Oslo, Norway.

Euroclear Sweden

Euroclear Sweden is a Swedish public company which operates under the supervision of the Swedish Financial Supervisory Authority and is authorised as a central securities depository under Regulation 909/2014.

Settlement of sale and purchase transactions in respect of Instruments in Euroclear Sweden will take place two Stockholm business days after the date of the relevant transaction. Instruments in Euroclear Sweden may be transferred between accountholders at Euroclear Sweden in accordance with the procedures and regulations, for the time being, of Euroclear Sweden. A transfer of Instruments which are held in Euroclear Sweden through Euroclear or Clearstream, Luxembourg is only possible by using an account operator linked to Euroclear Sweden.

The address of Euroclear Sweden AB is Swedish Clearing System, Euroclear Sweden, Box 191, SE 101 23 Stockholm, Sweden.

Euroclear Finland

Euroclear Finland is a Finnish limited company which operates under the supervision of the Finnish Financial Supervisory Authority and is authorised as a clearing system and clearinghouse.

Settlement of sale and purchase transactions in respect of Instruments in Euroclear Finland will take place two Helsinki business days after the date of the relevant transaction. Instruments in Euroclear Finland may be transferred between accountholders at Euroclear Finland in accordance with the procedures and regulations, for the time being, of Euroclear Finland. A transfer of Instruments which are held in Euroclear Finland through Euroclear or Clearstream, Luxembourg is only possible by using an account operator linked to Euroclear Finland.

The address of Euroclear Finland Ltd is Euroclear Finland Ltd, PB 1110, 00101 Helsinki, Finland.

INTRODUCTION TO WARRANTS AND CERTIFICATES

The Instruments comprise securities in the form of Warrants or Certificates which may be denominated in DKK, euro, NOK, SEK, USD, GBP, JPY, RUB, HKD or any other currency, and will be issued under the terms and conditions set forth in the Conditions and the relevant Final Terms.

The Underlying Assets for the Instruments will be set forth in the Final Terms and may comprise shares, depository receipts, bonds, commodities, interest rates, currencies, forward contracts, futures contracts, funds or indices. The Instruments' Underlying Assets may also comprise a basket of such assets. Since the performance of the Underlying Asset affects the value of the relevant Instruments, the investor thereby has exposure to a certain Underlying Asset.

If the currency of the Underlying Asset differs from the currency of the Instrument, the investor may be subject to a currency risk relating to the exchange rate between the currency of the Instrument and the currency of the Underlying Asset.

All Instruments are cash settled automatically, meaning that, provided the Instrument on the expiration date entitles the holder of the Instrument to a payment, the Issuer will pay a cash amount to the holder. The Instrument does not entitle a holder to receive the Underlying Asset.

Offering, allotment and sale

In the case of admission to trading on a regulated market without any prior offer to the public, no subscription procedure is applied. Instead, purchases and sales of Instruments are carried out in the market place on which the Instruments are listed. The Issuer effects payment against delivery of Instruments at the relevant securities depositary.

Instruments may be offered to professional investors and to retail customers (primarily comprising small or medium-size companies and private individuals) by public offerings, or as private placements to a limited number of investors. The Issuer may also cause the Instruments, without any prior offer, to be admitted to trading on a regulated marketplace and thereafter offered for sale.

In conjunction with offers directed to the general public, allotment in the issues will be determined by the Issuer and take place in accordance with the chronological order in which applications are registered. If applications are registered at the same time, a lottery procedure may be applied.

Allotment may also take place to employees of the Issuer without, however, any pre-emption rights based on the employment relationship. In such cases, allotment shall take place in accordance with the regulations issued by the Swedish Financial Supervisory Authority and rules issued by the Swedish Securities Dealers' Association.

Notice of allotment will be provided on contract notes which, it is estimated, will be despatched not later than two business days prior to the relevant settlement date.

The Issuer reserves the right to cancel or restrict issues of Instruments where the total number of subscribed Instruments cannot be determined above a certain level. If an issue is cancelled after payment has been made, the Issuer will refund the paid amount to the account stated by the investor in connection with its subscription. The Issuer also reserves the right to cancel an issue upon the occurrence of any circumstance which, in the Issuer's opinion, may jeopardise implementation of the issue.

Trading in Instruments may take place commencing on the listing date up to and including the expiration date for the respective Instrument, subject to the provisions below regarding any potential suspension of trading under different types of Instruments. Both the listing date and the expiration date are stated in the Final Terms for the respective Instruments.

Payment and delivery of Instruments shall take place subject to the conditions agreed upon between the purchaser, the Issuer and any Authorised Offeror appointed by the Issuer. Purchase and sale shall take place through the placement of customary buy or sell orders to the Issuer, another bank, or investment broker. Customary commission is payable in connection with subscription, purchases and sales of Instruments. A contract note is received as confirmation of the number of acquired or sold Instruments.

"One Trading Lot" shall constitute the minimum unit for trading in Instruments. The number of Instruments per Trading Lot is set forth in the Final Terms for the respective Instruments. In addition, the Final Terms for each Series will state the maximum number of Instruments which are offered at any given time.

Bid and ask prices for Instruments as quoted from time to time are set forth in the trading system used by the marketplace on which the Instruments are listed.

Offers to acquire Instruments may also published on the Issuer's website: (www.nordea.com, www.nordea.se, www.nordea.no, www.nordea.dk or www.nordea.fi).

Financial Intermediaries

The Issuer may from time to time have agreements with a number of financial intermediaries regarding the sale of Instruments issued by the Issuer (each an "**Authorised Offeror**"). On the website of each Authorised Offeror, investors will be provided with any additional information regarding the Authorised Offeror which was not contemplated on the date of submission of the Final Terms in respect of a specific Instrument and regarding the terms for the Authorised Offeror's reliance on this Base Prospectus. The right of Authorised Offerors to use this Base Prospectus may be further limited as set forth in the Final Terms for any Instrument.

An Authorised Offeror must notify the investor of the terms of the offer at the time it provides the offer to the investor.

Market Making

In those cases where Instruments are admitted to trading on a regulated market, irrespective of whether or not preceded by a public offering, Nordea intends, where appropriate, to act as Market Maker and thereupon, in normal circumstances, quote buy and sell rates for the number of trading posts decided upon by the Issuer from time to time. No buy rate is normally quoted for Instruments with a theoretical price which is lower that the smallest tick-size.

As regards Warrants, the table below states the maximum spread between buy and sell rates for SEK, DKK and NOK.

Ask prices in respective currency	Maximum spread for respective currency
0.01-5	0.25
>5-10	0.40
>10-25	0.90
> 25	< 4%

For Warrants issued in EUR, the following maximum spread shall apply:

Ask prices in EUR	Maximum spread in EUR
<2	0.10
>2	< 4%

Conditions and Final Terms

Terms and Conditions

The Instruments are governed by the Conditions. The Conditions are general and cover a large number of different types of instruments and are reproduced in their entirety in this Base Prospectus. The Conditions are applicable to all Instruments issued under the Programme.

Final Terms

Final Terms ("**Final Terms**") are also prepared for each series of Instruments issued under the Programme. The format for the Final Terms for various types of Instruments is reproduced in this Base Prospectus.

Generally, it can be said that the Final Terms state the specific terms and conditions in respect of each series of Instruments. The Final Terms, together with the Conditions, constitute the complete terms and conditions for the relevant Series of Instruments.

Final Terms for Instruments which are offered to the public and/or admitted to trading on a regulated market are filed with the Central Bank of Ireland. Final Terms that are filed accordingly will be published and made available on the Issuer's website (www.nordea.com, www.nordea.se, www.nordea.no, www.nordea.dk or www.nordea.fi) and may also be obtained free of charge from any of the Issuer's branch offices.

Different types of Instruments

Warrants, Turbo Warrants, MINI Futures, Unlimited Turbos and Market Warrants

Warrants

A Warrant is a financial instrument, the return on which is dependent on the performance of the Underlying Asset associated with the Warrant. Underlying Assets may consist of shares or share indices, as well as other assets such as interest rates, indices, currencies, commodities, futures contracts, forward contracts, or a combination of such Underlying Assets or a basket of assets.

Warrants issued under the Programme are of 'European' style, i.e. the holder cannot demand exercise during the term of the Warrant; instead, exercise takes place only on the expiration date, with the exception of MINI Futures and Unlimited Turbos, which may be structured similarly to an 'American' option where the investor has the right to request exercise during the term of the Instrument. On the expiration date, automatic exercise takes place with cash settlement, meaning that the holder receives cash instead of Underlying Assets (**provided that** all other terms and conditions for receipt of the exercise amount are fulfilled and that no Early Expiration Event has occurred).

Turbo Warrants

Warrants can also be issued as Turbo Warrants. Turbo Warrants are available as both Turbo Call Warrants and Turbo Put Warrants and are issued with a relatively short term. Turbo Warrants differ from ordinary Warrants in that they also have a Barrier Level (which is stated in the Final Terms). With respect to Turbo Warrants issued under this Programme, the Strike Price and Barrier Level may be either on the same level or different levels (this is set forth in the Final Terms). If the value of the Underlying Asset at any time during the term is quoted below or the same as the Barrier Level (Turbo Call Warrant), or above or the same as the Barrier Level (Turbo Put Warrant), the Turbo Warrant lapses and the Expiration Date is determined. This is referred to as an Early Expiration Event (and is described in greater detail in the Conditions). Upon the occurrence of an Early Expiration Event, the Closing Price of the Underlying Asset with respect to a Turbo Call Warrant is calculated as the Underlying Asset's lowest price during a certain number (specified in the Final Terms) of Trading Hours (as defined in detail in the General Terms and Conditions) after the occurrence of an Early Expiration Event. Upon the occurrence of the Early Expiration Event, the Closing Price of the Underlying Asset with respect to a Turbo Put Warrant is calculated as the highest price of the Underlying Asset a certain number (specified in the Final Terms) of Trading Hours after the occurrence of an Early Expiration Event. An Early Expiration Event also entails that the Turbo Warrant is delisted from a regulated market, multilateral trading facility or other marketplace. Under certain circumstances, the Turbo Warrant may be issued with a possibility for the Issuer to adjust the strike price, barrier and multiplier in order to make the value of the Turbo Warrant independent of the value of dividends and other corporate actions affecting the Underlying Asset.

MINI Futures and Unlimited Turbos

Warrants can be issued with an Expiration Date which is not predetermined, where the Expiration Date is instead dependent on whether the Issuer establishes an Expiration Date, if a holder requests exercise (in respect of Instruments held by such holder only), or if a Stop-Loss Event occurs. Such an instrument is defined as a MINI Future (a MINI future or Unlimited Turbo can also be structured with a predetermined expiration date). In addition to not having a predetermined expiration date, the MINI Future or Unlimited Turbo has a Stop Loss Level as described in the Final Terms. A MINI Future issued with a Stop Loss Buffer (as defined in the Conditions) of zero per cent (i.e. with no spread between the Reference Price or Financing Level used to determine the Stop Loss Level and the actual Stop Loss Level) is referred to as an Unlimited

Turbo. Put or Call MINI Futures or Put or Call Unlimited Turbos are also referred to, respectively, as MINI Futures Long and MINI Futures Short or Unlimited Turbos Long and Unlimited Turbos Short. Under certain circumstances, the MINI Future or Unlimited Turbo may be issued with a possibility for the Issuer to adjust the strike price, Stop Loss Level and multiplier in order to make the value of such Mini Future or Unlimited Turbo independent of the value of dividends and other corporate actions affecting the Underlying Asset.

Warrants which have a Stop Loss level (typically a Turbo Warrant or a MINI Future or an Unlimited Turbo), can have terms relating to an Extraordinary Suspension of Trading Event (as defined in the Conditions). This means that if the Stop Loss Level is reached before trading in the Instrument has started, this will not automatically mean that a Stop Loss Event has occurred. Instead, the Issuer can elect to hold off on trading during a certain time period and, in the event the value of the Underlying Asset breaks the a Stop Loss Level again, trading in the Instrument can start. An Extraordinary Suspension of Trading Event can occur more than once during the term of the Instrument, provided trading in the Instrument has not yet commenced.

If the Warrant is a Call Warrant, the Warrant generates a return for the Holder if the Closing Price is higher than the Strike Price, and a Settlement Amount is then calculated as the Multiplier (as defined in the Final Terms) multiplied by the difference between the Closing Price and the Strike Price. If the Closing Price is equal to or lower than the Strike Price, the Warrant generates no return.

If the Warrant is a Put Warrant, the Warrant generates a return for the Holder if the Closing Price is lower than the Strike Price, and a Settlement Amount is then calculated as the Multiplier multiplied by the difference between the Closing Price and the Strike Price.

Market Warrants

If Warrants are issued through a primary market transaction, i.e. Warrants are the subject to an offer to subscribe for Warrants during a specific subscription period, these instruments can be called Market Warrants. In relation to Market Warrants, the return is normally calculated on an underlying amount stated in the terms. Where the Market Warrant is issued through a primary market transaction, it may include a participation rate which is preliminary until the start date, when it is finally determined by the Issuer. Market Warrants may also include yield structures that are more complex and correspond to those stated as applicable to Certificates, but which, in certain cases, can be related to an underlying amount stated in the terms (rather than the relevant invested amount as regards a Certificate) as appropriate for the relevant Instrument.

The value of Warrants on the Expiration Date

The performance of the Underlying Asset affects the value of a Warrant both during its term and on the Expiration Date. In this section, the relationship between the value of the Warrant and the value of the Underlying Assets will be illustrated through a number of schematic examples (in order to avoid making the explanatory model unnecessarily complicated, it will hereinafter be assumed that the Underlying Asset is a share). This applies to all Warrants, i.e. also Turbo Warrants, MINI Futures, Unlimited Turbos and Market Warrants that constitute pure call or put options. Investors in Warrants must be aware that if the performance of the Underlying Asset is unfavourable to the investor, the entire invested amount may be lost.

With respect to Call Warrants, the value of the Warrant on the Expiration Date is determined by the amount by which the price of the Underlying Asset exceeds the strike price for the Warrant. With respect to Put Warrants, the opposite applies, i.e. the value of the Warrant is determined by the amount by which the price of the underlying share is less than the strike price. The closing price for Underlying Assets may also be calculated as the average value of the most recently quoted transaction prices for the Underlying Asset during the closing price determination period (more thereon below). As noted above, in the case of Turbo Warrants, MINI Futures and Unlimited Turbos the terms and conditions include a Barrier Level which may result in the Turbo Warrant, MINI Future or Unlimited Turbos expiring early. The following schematic example illustrates the described relationships:

Call Warrant	**Put Warrant**
Underlying share: ABC	Underlying share: ABC

Call Warrant	Put Warrant
Strike price: SEK 25	Strike price: SEK 25
Number of underlying shares per Warrant: 1 share	Number of underlying shares per Warrant: 1 share

Call Warrant

Share's closing price	Calculation	The Warrant's value
SEK 26	26-25= 1	SEK 1
SEK 25	25-25= 0	SEK 0
SEK 24	24-25= -1	SEK 0

Put Warrant / Säljwarrant

Share's closing price	Calculation	The Warrant's value
SEK 26	25-26= -1	SEK 0
SEK 25	25-25= 0	SEK 0
SEK 24	25-24= 1	SEK 1

The yield on invested capital differs markedly if an investment is made in Warrants as compared with in shares (Underlying Asset). The yield may be significantly higher when trading in Warrants, but the increased yield possibility occurs at the price of an increased risk of losing the entire invested capital, the so-called leverage effect. The leverage effect entails that the value of an investment in Warrants changes significantly more than the value of an investment in an underlying share when the price of the underlying share increases or decreases. The changes may take place rapidly.

The schematic example below illustrates the leverage effect in the case of an investment in Warrants.

Assumptions: The investor regards the ABC share as clearly undervalued in approximately a one-year horizon. The share price is currently SEK 25 but the investor believes that in approximately one year it will be SEK 50. The investor has capital of SEK 10,000 to invest.

Investment in shares

Invested capital	SEK 10,000
Current price of the ABC share	SEK 25
Number of shares / Antal aktier	400 shares

If the share price increases in accordance with the investor's belief, in one year the value will be:

Price	SEK 50
Number of shares	400 shares
Value	SEK 20.000
Increase in value	100 per cent

Investment in Warrants

Strike price	SEK 30
Expiration date	1 year from the investment date
Number of underlying shares per Warrant	1 share

If the performance of the share price is in accordance with the investor's belief, the value of the Warrants in a year's time will be:

Share Price	SEK 50
Number of Warrants	5,000 Warrants
Value	SEK 100,000
Increase in value	900 per cent

It is evident from the table below that if the ABC share increases in price from SEK 25 to SEK 50 on the Expiration Date, the value of the investment will have increased by 100 per cent to SEK 20,000. The table also shows the difference in the performance of the Warrant and the share depending on the underlying share price.

Share price on the Expiration Date	**Share investment value**	**Warrant investment value**
SEK 15	SEK 6,000	SEK 0
SEK 20	SEK 8,000	SEK 0
SEK 25	SEK 10,000	SEK 0
SEK 30	SEK 12,000	SEK 0
SEK 35	SEK 14,000	SEK 25,000
SEK 40	SEK 16,000	SEK 50,000
SEK 45	SEK 18,000	SEK 75,000
SEK 50	SEK 20,000	SEK 100,000
SEK 55	SEK 22,000	SEK 125,000

The table shows the leverage effect – when the share price exceeds the strike price of SEK 30, the value of the Warrant investment increases much more rapidly than the share investment. **The table also shows the negative aspects of the leverage effect – if the share price does not exceed the strike price, the entire invested capital is lost,** which is not the case if the investment is made in the shares, **provided that** the share price does not fall to zero.

Information regarding the calculation principles for determination of the Warrant's premium is provided below. However, in addition to the information it should be emphasised that, during the closing price determination period, consideration is given to the parameters that are included in the data for determination of the closing price when the premium for the Warrant is determined. The closing price and the strike price differential for a Warrant is determined by the arithmetical mean value of the closing prices during the closing price determination period. This means that a change in the price of the Underlying Asset during the closing price determination period has a smaller impact on the change in the value of the Warrant than otherwise, since it is only the effect of the price change on the anticipated mean value during the period which affects the value of the Warrant. The greater proportion of the closing price determination period that has elapsed, the smaller will be the significance of each individual price movement for the change in the value of the Warrant, since a greater part of the arithmetical mean value is already known at that time.

The value of the Warrant during its term

Warrants and Market Warrants

The description in this section relates to the value of Warrants and Market Warrants that constitute pure call or put options and not Turbo Warrants. The value of the Warrant during the term is determined by its market price which, among other things, is affected by the time value of the Warrant and the volume of trading which takes place in the Warrant. In order to clarify how the remaining term affects the value of the Warrant, the value is divided into real value and time value, i.e. the Warrant's value = real value + time value.

The real value is the value the Warrant would have had if the expiration date occurred today. The real value is the value which is stated as the Warrant's value in the example above.

The time value is the difference between the Warrant's real value and the prevailing market price for the Warrant. Prior to the Expiration Date, the Warrant's premium is higher than its real value since, during the remaining term, there is a possibility of beneficial price movements in an underlying share (there is, of course, also an equally great possibility of unfavourable price movements but, due to the Warrant's leverage effect, these do not have as great an impact on the value of the Warrant).

The significance of the time value for the Warrant's premium diminishes over time. Accordingly, if other factors which impact on price are unchanged, the value of the Warrant will decline gradually so that, on the Expiration Date, it corresponds to the real value.

An additional factor which affects the value of the Warrant is the implied (anticipated) volatility regarding Underlying Assets. Furthermore, expectations regarding the increased volatility of an Underlying Asset have an upward effect on the value of the Warrant (both Call Warrants and Put Warrants), since increased price movements in Underlying Assets result in a greater likelihood of drawing benefit from the leverage effect of the Warrant. The impact on a Warrant of a change in the implied volatility depends, however, on a large number of factors, for example the remaining term. The schematic examples below illustrate the manner in which changes in the implied volatility affect the price of the Warrant (if all other parameters are unchanged).

Assumptions:

Price for underlying share:	SEK 50
Strike price for Warrant:	SEK 50
Remaining term for	Warrant: 1 year
Interest rate:	3.00%
Dividend (underlying share):	SEK 0
Number of shares per Warrant:	0.1 share
Initial implied volatility:	0%
Warrants:	European style (meaning that redemptions may not occur during the term of the Warrant)

Implied volatility in %	Price, Call Warrant in SEK	Difference in price Call Warrant	Price, Put Warrant in SEK	Difference in price, Put Warrant
20	0.47	-29 %	0.32	-37 %
25	0.56	-15 %	0.42	-18 %
30	0.66	0 %	0.51	0 %
35	0.76	15 %	0.61	20 %
40	0.85	29 %	0.71	39 %

The example shows that when the implied volatility is changed by a few percentage points, the value of the Warrant changes significantly. In the pricing of Warrants, the Black & Scholes method is used for calculating the Warrant's value. The method can also be used to calculate the implied volatility of a Warrant. **Anyone investing in Warrants should be aware of how the implied volatility affects Warrants.**

Issued Warrants do not affect the capital structure of a company whose shares constitute an Underlying Asset or a part of Underlying Assets. Accordingly, no dilution effect occurs for the shareholders in the company whose shares constitute an Underlying Asset.

Turbo Warrants

The valuation of Turbo Warrants does not take place in the same manner as the valuation of Warrants or Market Warrants constituting pure call or put options, meaning that the value of a Warrant with the same expiry date and Underlying Asset as a Turbo Warrant may have a different value during its term than the Turbo Warrant. During its term, the value of the Turbo Warrant is dependent on a number of factors such as the value of the Underlying Asset, redemption price, barrier level, maturity, market rates, expected dividends from the Underlying Asset, supply and demand as well as turnover and liquidity. An Underlying Asset's expected dividend(s) and expected volatility refer to the Issuer's expectations in that regard. The main difference in the valuation of a Warrant and a Turbo Warrant is that the volatility generally has little effect on the price of the Turbo Warrant. However, when the value of the Underlying Asset is very close to the barrier level for the Turbo Warrant, the volatility will affect the price.

MINI Futures or Unlimited Turbos

The valuation of MINI Futures or Unlimited Turbos does not take place in the same manner as the valuation of Warrants or Market Warrants constituting pure call or put options, but is more similar to the valuation of Turbo Warrants. During its term, the value of the MINI Future or Unlimited Turbos is dependent on a number of factors such as the price of the Underlying Asset, financing level/strike price, barrier level/stop-loss, maturity, market interest rates, as well as supply and demand, turnover and liquidity.

As in the case of the Turbo Warrant, the effect of volatility on the valuation of a MINI Future or an Unlimited Turbo is less than for a Warrant, which means that the adaptability to the Underlying Asset is greater in a MINI Future or an Unlimited Turbo than in a Warrant.

Mini Futures Baskets are similar to Mini Futures but are based on the relative performance of two Underlying Assets (one of which may be a short exposure) and a Cash Component, with the settlement amount determined by reference to the overall Basket Value rather than the performance of a single individual component.

Certain yield structures for Warrants

Warrants issued under this Programme may include performance structures that are otherwise applicable to Certificates as set out below. The yield structures included in the section "*Certificates - Performance Structures for Certificates – a Description*" are thus also applicable in relation to Warrants for which a certain yield structure is applicable. Such Warrants' return may thus depend on the performance of an Underlying Asset which may be comprised of shares or share indices, as well as other assets such as interest rates, currencies, commodities or a combination of such Underlying Assets or a basket of assets. The Warrant is an instrument without principal protection, in which case the investors in the Warrant may lose all or a part of the invested capital.

The Warrants may entitle the investor to payment or return on the expiry date (European type) but may also be structured similarly to an American option where the investor has the right to request exercise during the term of the Warrant.

Certificates

Certificates issued under this Programme are financial instruments giving the investor exposure towards a certain Underlying Asset and a certain investment strategy. The return on a Certificate can only be paid in cash (**provided that** all terms and conditions for receipt of the redemption amount are fulfilled) and no physical delivery of the Underlying Asset is possible. The return on the Certificate is thus dependent on the performance of the Underlying Asset associated with the Certificate. Underlying Assets may consist of shares or share indices, other assets such as interest rates, currencies, commodities, or a combination of such Underlying Assets, or a basket of assets. The Certificate is not a principal protected instrument and thus investors in the Certificate may lose all or a part of the invested capital.

The Certificate may entitle the investor to payment on the expiry date (European type) but may also be structured similarly to an American option where the investor has the right to request exercise during the term of the Certificate, or be open-ended with no fixed repayment date. The Certificate may also, when the Underlying Asset comprises of instruments from which dividends may be distributed to the holder, give the investor a right to a coupon of such dividend during the term of the Certificate. Such dividends may also, when so specified in the Final Terms, be reinvested in the Underlying Asset.

Certificates can be issued as different types of products and can be given certain product specific names such as index Certificates, max Certificates, bonus Certificates, bull Certificates, bear Certificates, flex Certificates or growth Certificates, but are not limited only to these types of products.

Bull Certificates and Bear Certificates issued under the Programme may or may not contain a "stop loss" functionality. Where a Certificate contains a "stop loss" functionality a Stop Loss Level is included in the terms and conditions. In the case of Bull Certificates and Bear Certificates, this will be in addition to the Barrier Level. Upon a Stop Loss Event there may be a recovery value, whereas the Settlement Amount will always be zero where an Early Expiration Event has occurred.

Performance Structures for Certificates – a description

The performance structures described below determine the manner in which the performance of the relevant Underlying Assets affects the yield and/or the redemption amount under the Certificate. In many cases, Certificates may correspond in terms of function to combinations of several different types of traditional instruments, e.g. a Certificate combined with a share, a fund unit and/or a derivative instrument. The value of a Certificate will be affected by the value of the Underlying Asset and the Certificate's performance structure. The value of an Underlying Asset is sometimes determined on a number of occasions during the term of the Certificate and sometimes only at maturity. The performance may be positive or negative for the investor. Thus, the investor's right to return and, where applicable, repayment of the invested amount depends on the performance of the Underlying Asset and the applicable performance structure.

Where the performance structure includes an element of leverage, that means, *inter alia*, that if the Certificate has, e.g. a leverage 2, if the value of the Underlying Asset increases by 1%, the value of the Certificate increases by 2% (subject to effects from the market, fees, financing costs etc.). If the value of the Underlying Asset instead decreases by 1%, the value of the Certificate decreases by 2% (plus possible effects from the market, fees, financing costs etc.).

The performance structures described below represent a selection of the most common structures. The structures may be combined, varied and used in their entirety or only in part.

"Base"-structure"

The Base structure for calculating the performance of an Instrument is dependent on the change between the initial price and final price for one or more Underlying Assets. In order to reduce the risk that temporary fluctuations in value might result in a misleading calculation basis when calculating the final value of an Instrument, the final value is often determined as the average value of the Underlying Assets or benchmarks on a number of measurement dates during a determined period of time. However, there may be only one measurement date during a determined period of time.

"Max" structure "

The max structure is based on the base structure but contains a predetermined maximum yield, i.e. a cap on the yield. The investor receives either the maximum yield or a yield which reflects the performance of the Underlying Asset, whichever is lower. If the performance of the Underlying Asset exceeds the predetermined maximum yield, the investor receives an amount corresponding to the maximum yield.

"Barrier" structure"

This structure includes a fixed price which replaces the final price in the event the final price of the Underlying Asset reaches and/or exceeds a price cap or is less than a price floor or a combination thereof.

"Digital" structure

The yield in a digital structure depends on the relationship between value of an Underlying Asset and a specific predetermined level on the valuation date.

"Binary" structure

The yield in a binary structure depends on the relationship between the value of an Underlying Asset and a predetermined level during the entire term of the Instrument.

"Leverage" structure "

A leverage structure usually means that the value of the instrument follows the leverage proportionally to an Underlying Asset. The structure can be combined with, among other things, a barrier or a cap.

"Constant leverage" structure"

A constant leverage structure is a structure where the exposure to an Underlying Asset during a defined time period (e.g. one day) generates a yield which is X times larger compared with the Underlying Asset. The constant leverage can be both positive and negative and the structure is often combined with, for example, a barrier.

Applicable law and jurisdiction

The Instruments shall be governed by English, Danish, Swedish, Norwegian or Finnish law as provided in the Final Terms and the aforementioned law shall be applied to the Conditions, related Final Terms and any supplements. Disputes in relation to Instruments and the Conditions shall be subject to the exclusive jurisdiction of the courts as set out in the Conditions.

Denomination currency

Instruments are denominated in DKK, EUR, NOK, SEK, GBP, USD, PLN, RYB, CHF, HKD, JPY or another currency as stated in the Final Terms. The Issuer is entitled to list and trade in Instruments and to effect payment in accordance with the provisions set forth in the relevant Final Terms for the relevant Instruments.

The ranking of Instruments in terms of rights of priority

Instruments issued under the Programme are unconditional and unsecured obligations which, in the event of the Issuer's bankruptcy, will rank *pari passu* with other unsecured (non-subordinated) creditors of the Issuer.

Rights associated with Instruments and the procedure for exercising such rights

Pursuant to the Conditions and the relevant Final Terms, holders of Instruments are entitled to receive any Settlement Amount on the Expiration Date. Exercise takes place automatically. Holders have the possibility, during the term, to sell Instruments at prevailing prices on the market. A prevailing price is the price quoted by a Market Maker or another buyer.

Information regarding Underlying Assets for Instruments

The strike price as well as information regarding Underlying Assets will be provided in the relevant Final Terms for the relevant Instruments. The closing price determination period will be stated in the relevant Final Terms.

Proprietary Indices

The Nordea Group may from time to time participate in creating, structuring and maintaining indices portfolios or strategies and for which it may act as index sponsor (collectively, "**Proprietary Indices**").

These indices are calculated by an external calculation agent in accordance with rules which describe the methodology for determining the composition and the calculation of these Proprietary Indices (the "**Rules**").

The complete set of Rules of any such index and information on the performance of the index will be freely accessible on the Issuer's or on the Index Sponsor's website. The governing rules (including methodology of the index for the selection and the re-balancing of the components of the index, a description of market disruption events and any applicable adjustment rules) will be based on predetermined and objective criteria.

As at the date of this Base Prospectus, the following indices are provided by legal entities acting in association with, or on behalf of, the Issuer and its affiliates:

Index Tracker	Index Name	Index Sponsor	Currency	Website for obtaining information about the Index
NQNDMOT	**Nasdaq NordeaSmartBeta Momentum TR Index**	**Nasdaq/Nordea**	**SEK**	**www.nasdaq.com**
NQNDVOT	**Nasdaq NordeaSmartBeta Volatility TRIndex**	**Nasdaq/Nordea**	**SEK**	**www.nasdaq.com**
NQNDDIT	**Nasdaq NordeaSmartBeta Dividend TRIndex**	**Nasdaq/Nordea**	**SEK**	**www.nasdaq.com**
NQNDDMT	**Nasdaq Nordea SmartBeta DividendMomentum Swe TR**	**Nasdaq/Nordea**	**SEK**	**www.nasdaq.com**
NQNDDVT	**Nasdaq NordeaSmartBeta DividendVolatility Swe TR**	**Nasdaq/Nordea**	**SEK**	**www.nasdaq.com**
NQNDMVT	**Nasdaq NordeaSmartBeta MomentumVolatility Swe TR**	**Nasdaq/Nordea**	**SEK**	**www.nasdaq.com**
NQNDMVEURO P	**Nasdaq NordeaSmartBeta MomentumVolatility Eurozone PR**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**
NQNDMVEURO T	**Nasdaq NordeaSmartBeta MomentumVolatility Eurozone TR**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**
NQNDMVEURO N	**Nasdaq NordeaSmartBeta MomentumVolatility Eurozone NTR**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**
NQNDDMBEUR OP	**Nasdaq NordeaSmartBeta DividendMomentum BetaEurozone PR**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**
NQNDDMBEUR OT	**Nasdaq NordeaSmartBeta**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**

Index Tracker	Index Name	Index Sponsor	Currency	Website for obtaining information about the Index
	DividendMomentum BetaEurozone TR			
NQNDDMBEURON	**Nasdaq NordeaSmartBeta Dividend Momentum BetaEurozone NTR**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**
NQNDMFEEUROP	**Nasdaq Nordea SmartBeta Multifactor ESG Eurozone PR**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**
NQNDMFEEUROT	**Nasdaq Nordea SmartBeta Multifactor ESG Eurozone TR**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**
NQNDMFEEURON	**Nasdaq Nordea SmartBeta Multifactor ESG Eurozone NR**	**Nasdaq/Nordea**	**EUR**	**www.nasdaq.com**

Nasdaq and Nordea have jointly designed the selection criteria and rebalancing rules for the Indices listed above. Nasdaq is responsible for the methodology, calculation, dissemination and administration of the Indices.

Information regarding calculation principles for determination of premium, price and strike price for Instruments

For Warrants, the investor pays a premium in order to invest in Instruments. This premium is affected by a number of different factors as a consequence of which the premium may increase or decrease in value during the term of the Instruments. Similarly to Warrants and Turbo Warrants, the price of a Certificate is also affected by a number of factors. The manner in which each factor affects the Certificate's price depends on the structure of the Certificate and the type of derivative which is used in order to create the underlying exposure.

The amount of the premium is determined by many factors, for example:

- the Underlying Asset's price;
- the strike price;
- the term;
- the market interest rate;
- the expected dividends on the Underlying Assets during the Instrument's term;
- the number of Underlying Assets per Instrument;
- the expected future volatility of the yield for Underlying Assets during the remaining term of the Instrument;
- the barrier level;
- the max level;

- the protection factor;
- the protection level;
- participation rate;
- gap option premium
- the costs of hedging/stock borrow
- taxation levels
- supply and demand; and
- volume of sales and liquidity.

As stated above, the pricing of Instruments is determined by a number of parameters, and consequently the valuation is complex. A number of valuation models are used as a basis of the Issuer's valuation of Warrants and Certificates, including the Black & Scholes method for valuation of options. Whilst the criteria above are those most commonly used by the Issuer to determine pricing, investors should bear in mind that the Issuer may also elect to take account of other factors, or not to take account of certain factors, when determining the price of any Instruments.

The standard deviation in the yield on the Underlying Asset affects the pricing of the Instruments. The pricing on both an initial and an ongoing basis will partly reflect the Issuer's assessment of the future volatility of the Underlying Asset and, thereby, the Issuer's margin. The value of the Underlying Asset always affects the value of the Instruments. Since the value of the Underlying Asset can always change, the value of the Warrant changes regularly. In connection with events which increase uncertainty (for example, pending the publication of a report) with respect to an Underlying Asset, the implied volatility increases and, thereby, the price of the Instruments.

The strike price in relation to the value of the Underlying Asset also affects the value of the Instruments. The remaining term to maturity affects the valuation of the Instruments. The longer the term, the higher the price for the Warrant since a longer term increases the possibility that the value of the Underlying Asset will change. Dividends on underlying shares affect the value of the Instruments since the dividend entails a cost for the company whose shares constitute an Underlying Asset. The volatility states the degree of variability in the value of an Underlying Asset. Expectations of increased volatility affect the value of the Instruments upwards, since increased price movements result in a greater likelihood of drawing benefit from the Instruments' leverage effect.

Specifically in relation to Warrants, for Call Warrants the price is lower if the strike price is high, while the converse applies with respect to Put Warrants. With increasing market interest rates, the price of Call Warrant increases, while the price of Put Warrants declines. The impact of the interest rate on the Warrant's price is, however, normally relatively small. Expectations regarding increased dividends lead to a fall in the value of a Call Warrant, whereas in the same situation the value of a Put Warrant increases. Turbo Warrants where the Issuer has the right to adjust certain terms for the dividend are not affected in this way. Bid and ask prices quoted on Warrants from time to time are set forth in the trading system which is used by the marketplace on which the Warrants are listed.

Certain yield structures

Interest may also be payable in accordance with one or more of the certain yield structures stated below. The Instruments may be structured such that the return is based on interest and/or inflation, as well as one or several interest rates and/or the Underlying Assets' performance or a combination of these. Variables such as multipliers, ceilings/floors, digital ceilings/floors, swap options and/or combinations of these functions may occur. Under this type of Instrument, the return may depend on whether one or more stated interest rates or the performance of Underlying Asset(s) remain within certain predetermined ranges. The return can also be affected by the return in previous periods and include interest or different triggers which may affect the return or result in early redemption.

The following certain yield structures may be applicable to Certificates, Warrants and Market Warrants and are described in greater detail in the Conditions.

"Cap/Floor"	"Basket Long"
"Capped Floor Float"	"Basket Short"
"Compounding Floater"	"Autocall Coupon"
"Range Accrual"	"Max component"
"Digital Long"	"Currency component – Basket"
"Digital Short"	"Currency component – Underlying Asset"

TERMS AND CONDITIONS OF THE INSTRUMENTS

The following are the Terms and Conditions of the Instruments which (subject to completion in the relevant Final Terms) will be applicable to each Series of Instruments.

The Instruments are issued in accordance with a fiscal agency agreement, (as amended and/or restated and/or replaced from time to time, the "**Fiscal Agency Agreement**") dated 18 December 2019 and made between Nordea Bank Abp, the "**Issuer**"), Citibank, N.A., London Branch in its capacity as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such) and Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression shall include any successor to Citigroup Global Markets Europe AG in its capacity as such) and Nordea Bank Abp in its capacity as issuing agent for VP Instruments (as defined below) (the "**VP Issuing Agent**"), Nordea Bank Abp as Norwegian paying agent for VPS Instruments (the "**VPS Paying Agent**"), Nordea Bank Abp as Swedish issuing agent for Swedish Instruments (the "**Swedish Issuing Agent**") and Nordea Bank Abp as issuer agent for Finnish Instruments (the "**Finnish Issuing Agent**"). The Instruments (other than the VP Instruments, the VPS Instruments, the Swedish Instruments and the Finnish Instruments) have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 18 December 2019 (as amended and/or restated and/or replaced from time to time), executed by the Issuer in relation to the Instruments. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection at the specified office of the Agents and the Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of and to be bound by all of the provisions of the Fiscal Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each a "**Series**") made up of one or more tranches (each a "**Tranche**"), and each Tranche will be the subject of a final terms (each a "**Final Terms**") a copy of which, in the case of a Series in relation to which application has been made for admission to listing on the Official List of the Irish Stock plc, trading as Euronext Dublin ("**Euronext Dublin**") and to trading on its regulated market, will be filed with Euronext Dublin and will be available for inspection at the specified office of each of the Fiscal Agent or, as the case may be, the Registrar on or before the date of issue of the Instruments of such Series.

Instruments may be settled through the Danish Securities Centre, VP Securities A/S ("**VP Instruments**" and the "**VP**", respectively), the Norwegian Central Securities Depository, Verdipapirsentralen ASA ("**VPS Instruments**" and the "**VPS**", respectively), the Swedish Clearing System which will be the Swedish Clearing System and Clearing Organisation Euroclear Sweden AB, incorporated in Sweden with Reg. No. 556112-8074 ("**Swedish Instruments**" and "**Euroclear Sweden**"), the Finnish Clearing System which will be Euroclear Finland Ltd, incorporated in Finland with Reg. No. 1061446-0, ("**Finnish Instruments**" and "**Euroclear Finland**") or through any other relevant clearing system.

The VP Instruments will be registered in uncertificated and dematerialised book entry form with the VP. VP Instruments registered in the VP are negotiable instruments and not subject to any restrictions on free negotiability under Danish law.

The VPS Instruments will be registered in uncertificated and dematerialised book entry form with the VPS. VPS Instruments registered in VPS are negotiable instruments and not subject to any restrictions on free negotiability under Norwegian law.

A registrar agreement (as amended, supplemented or replaced from time to time, the "**VPS Registrar Agreement**") has been entered into between the Issuer and the VPS Paying Agent in relation to the VPS Instruments.

The registrar in respect of any Series of Swedish Instruments will be Euroclear Sweden (the "**Swedish Registrar**") in accordance with the Swedish Financial Instruments Accounts Act (*lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) as amended (the "**SFIA Act**").

The Swedish Instruments will be registered in uncertificated and dematerialised book entry form with Euroclear Sweden as central securities depository. Swedish Instruments registered in Euroclear Sweden are negotiable instruments and not subject to any restrictions on free negotiability under Swedish law.

The registrar in respect of any Series of Finnish Instruments will be Euroclear Finland (the "**Finnish Registrar**") in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity

(Fin. Laki *arvo-osuusjärjestelmästä ja selvitystoiminnasta* (348/2017)), as amended and the Finnish Act on Book-Entry Accounts (Fin. *Laki arvo-osuustileistä* (827/1991)), as amended.

The Finnish Instruments will be registered in uncertificated and dematerialised book entry form with Euroclear Finland. Finnish Instruments registered in Euroclear Finland are negotiable instruments and not subject to any restrictions on free negotiability under Finnish law.

References in these terms and conditions (the "**Conditions**") to Instruments are to Instruments of the relevant Series and any references to Coupons and Receipts, both as defined below, are to Coupons and Receipts relating to Instruments of the relevant Series.

1. **Definitions / Definitioner**

"**2006 ISDA Definitions**"	Means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Instruments of the relevant Series.
"**Account Operator**"	A bank or another party which has been licensed to act as account operator pursuant to the Financial Instruments (Accounts) Act (1998:1479) or the equivalent thereof in Denmark, Finland and Norway, and with which a Holder has opened a VP account with respect to Instruments.
"**Accumulated Financing**"	Has the meaning given to it in Condition 6(a)(vii) (*Mini Future Long or Unlimited Turbo Long*) or Condition 6(a)(viii) (*Mini Future Short or Unlimited Turbo Short*) in respect of Mini Futures and Unlimited Turbos and Condition 6(a)(ix) (*Bull Certificates*) or Condition 6(a)(x) (*Bear Certificates*) in respect of Certificates.
"**Accumulated Value**"	Has the meaning given to it in Condition 6(a)(ix) (*Bull Certificates*) or Condition 6(a)(x) (*Bear Certificates*), as applicable. For the avoidance of doubt, the Accumulated Value may be subject to adjustment in accordance with Condition 9(f) (*Adjustments*) upon payment of dividends in respect of the Underlying Asset(s).
"**Accumulated Value Calculation Day**":	Means the dates specified in the relevant Final Terms
"**Accumulated Value Change**"	Has the meaning given to it in Condition 6(a)(ix) (*Bull Certificates*) or Condition 6(a)(x) (*Bear Certificates*), as applicable.
"**Adjustment Spread**"	Means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Benchmark Rate and is the spread, formula or methodology which (i) is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the original Affected Rate by any Relevant Nominating Body; or (ii) failing which, is in customary market usage in the international debt capital markets or derivatives markets for transactions which reference the original Affected Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Benchmark Rate; or (iii) if no such recommendation or option has been made (or made available), or the Issuer determines there is no such spread, formula or methodology in customary market usage, the Issuer determines, acting in good faith, to be appropriate as a result of the replacement of the Affected Reference Rate with the Successor Rate or Alternative Benchmark Rate (as applicable).

"**Administration Fee**"	A fee stated in the Final Terms. This fee covers the Issuer's costs in respect of administration and risk management. The Issuer may reserve the right to increase or reduce the Administration Fee in the event the Issuer's costs in respect of administration and/or management regarding the Instrument change. In such case, the Final Terms shall also state the maximum possible Administration Fee level. Notice of any increase or reduction shall be given to the Holders in accordance with Condition 19 (*Notices*).
"**Affected Underlying Asset**"	An Underlying Asset that is affected (directly or indirectly) by any form of Market Disruption, Commodity Disruption, Currency Disruption, Fund Event, Changed Calculation, Correction, Extraordinary Event, Change in Law, Increased Costs of Hedging or Hedging Disruption. If the Underlying Asset comprises a basket of Basket Components, the Affected Underlying Asset(s) shall only be the relevant Basket Component(s) which are affected.
"**Agent**"	Means the Registrar, Fiscal Agent and any other agent appointed by the Issuer from time to time in respect of the Instruments.
"**Barrier Level**"	With respect to one or more Underlying Assets means either the value specified in the Final Terms or a percentage of: (i) the most recent official closing price for such Underlying Asset(s) quoted in the relevant Reference Source(s), (ii) the Financing Level or (iii) the Strike Price, in each case as specified in the relevant Final Terms. If Determination Dates are specified in the Final Terms, the Barrier Level will be recalculated on each such specified date (each a "**Determination Date**") and will apply until the immediately following Determination Date.
"**Barrier Reference Price**"	Either: (a) all of the most recent transaction prices during continuous trading listed on a Reference Source, commencing on the Listing Date up to and including the Expiration Date, or (b) the last trade price during continuous trading on a Reference Source on the Expiration Date, as specified in the relevant Final Terms and, in each case, as determined by the Issuer in its sole discretion. Unless otherwise stated in the Final Terms, the Issuer reserves the right to determine whether a price is reasonable and may thereby constitute a Barrier Reference Price.
"**Base Rate**"	Either: (i) CIBOR, EURIBOR, LIBOR, NIBOR, STIBOR, MOSPRIME, WIBOR, HIBOR, TIBOR or such other base rate designated as the relevant base rate in the Final Terms as published on the Reuter's Relevant Screen Page on the relevant day (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or, where such quotation is not available, the Issuer's assessment of the relevant rate of interest, **provided that** if "Base Rate Floor" is specified as applicable in the Final Terms, such rate shall not be less than zero, (ii) zero or (iii) a fixed rate as specified in the relevant Final Terms, as specified in the relevant Final Terms.
"**Base Rate 1**"	CIBOR, EURIBOR, LIBOR, NIBOR, STIBOR, MOSPRIME, WIBOR, HIBOR, TIBOR or such other base rate designated as the relevant base rate in the Final Terms **provided that** if "Base Rate Floor" is specified as applicable in the Final Terms, such rate shall not be less than zero;.
"**Base Rate 2**"	CIBOR, EURIBOR, LIBOR, NIBOR, STIBOR, MOSPRIME, WIBOR, HIBOR, TIBOR or such other base rate designated as the relevant base rate in the Final Terms **provided that** if "Base Rate

Floor" is specified as applicable in the Final Terms, such rate shall not be less than zero.

"Base Rate Margin"	The base rate margin stated in the Final Terms. The Issuer reserves the right to increase or decrease the Base Rate Margin in its sole discretion, at any time, by notice to the Holders in accordance with Condition 19 (*Notices*).
"Basket"	Means the basket of Underlying Assets specified in the Final Terms.
"Basket Component"	Each of the Underlying Assets included in a Basket.
"Basket Component Currency"	For each Basket Component, the currency in which the Basket Component Reference Price is determined.
"Basket Component Exchange Rate"	For each Basket Component, the exchange rate between the Basket Component Currency and the Reference Currency which is determined by the Issuer, in its sole discretion, by reference to the Exchange Rate Reference Source at the Exchange Rate Reference Time.
"Basket Component Reference Price"	The price for each Basket Component, calculated in accordance with the Reference Price Determination Method.
"Basket Component Weight"	Means the weight for each Basket Component specified in the Final Terms.
"Basket Floor"	As specified in the Final Terms.
"Basket Participation"	As specified in the Final Terms.
"Basket Value"	means: (A) the sum of: (i) the Cash Component; and (ii) the Closing Price of the Long Asset multiplied by the Basket Weight of the Long Asset; and (B) the Closing Price of the Short Asset multiplied by the Basket Weight of the Short Asset.
"Basket Weight"	means the weight of the relevant Underlying Asset as specified in the relevant Final Terms;
"Benchmark Event"	means: (A) the Affected Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or (B) a public statement by the administrator of the Affected Reference Rate that it has ceased or will cease publishing such Affected Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Affected Reference Rate); or (C) a public statement by the supervisor of the administrator of the Affected Reference Rate that such Affected Reference Rate has been or will be permanently or indefinitely discontinued; or (D) a public statement by the supervisor of the administrator of Affected Reference Rate that means that such Affected Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse

consequences either generally or in respect of the Instruments; or

(E) a public statement by the supervisor of the administrator of the relevant Affected Reference Rate that, in the view of such supervisor: (i) such Affected Reference Rate is no longer representative of an underlying market or (ii) the methodology to calculate such Affected Reference Rate has materially changed; or

(F) it has or will become unlawful for the Issuer or any agent or third party to calculate any payments due to be made to any Holder using Affected Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable);

"**Business Day**" A day which is not a Saturday, Sunday or other public holiday and on which the European settlement payment system TARGET (Trans-European Automated Real-Time Gross Settlement Express Transfer) is available for the settlement of payments in the Currency and on which banks in the country in which any measure, including payment, trading, purchase, or exercise with respect to one or more Underlying Assets is to be taken are open to the public, (with the exception of business hours for internet services only).

With respect to payments relating to Instruments which are registered with Euroclear Sweden, Business Days shall be deemed to comprise days on which commercial banks and currency markets are generally able to execute payments in Stockholm.

With respect to payments relating to instruments which are registered with Euroclear Finland, Business Days shall be deemed to comprise days on which commercial banks and currency markets are generally able to execute payments in Helsinki.

With respect to payment relating to VPS Instruments, Business Days shall be deemed to comprise days when Norwegian banks may carry our transactions in foreign currency, and when the Norwegian central bank's settlement-system is open.

With respect to payments relating to instruments which are registered with VP, Business Days shall be deemed to comprise days on which commercial banks and currency markets are generally able to execute payments in Copenhagen.

"**Business Day Convention**" Means the convention which will be applied in order to adjust a relevant day specified in the Conditions if such day should fall on a day which is not a Business Day. The adjustment can be made in accordance with any of the following conventions, as specified in the relevant Final Terms:

(i) *Following Business Day:* If an Interest Payment Date or other relevant day occurs on a day which is not a Business Day, it shall be postponed until the following Business Day.

(ii) *Modified Following Business Day:* If an Interest Payment Date or another relevant day occurs on a day which is not a Business Day, it shall be postponed until the following Business Day in the same calendar month if that is possible. If not possible, the Interest Payment Date or another relevant day shall be deemed to occur on the immediately preceding Business Day.

(iii) *Preceding Business Day:* If an Interest Payment Date or another relevant day occurs on a day which is not a Business Day it shall be deemed to occur on the immediately preceding Business Day.

"Cap"	Means the level specified in the Final Terms.
"Cap Strike"	Means the level specified in the Final Terms.
"Cash Component"	Means the amount specified in the Final Terms.
"CHF"	The Swiss franc or the currency which may have replaced the Swiss franc as legal tender in Switzerland.
"CIBOR"	The rate of interest which (i) on or about 11:00am CET on the relevant day is published on the Reuter's Relevant Screen Page for the relevant period (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or – where such quotation is not available (ii) at the aforementioned time corresponds to (a) the average of the rates of interest offered by Reference Banks to leading commercial banks in Denmark for deposits in DKK for the period in question on the interbank market in Copenhagen or, if only one or no such quotation is offered (b) the Issuer's assessment of the rate of interest offered by leading commercial banks in Copenhagen for loans in DKK for the relevant period on the interbank market in Copenhagen.
"Clearing System"	The Clearing System through which an Instrument is settled.
"Closing Price"	The price: (i) determined in accordance with the determination method specified in the Final Terms, or (ii), following an Early Expiration Event or Stop Loss Event, the price determined in accordance with Condition 6(d) (*Early Expiration Event*) or Condition 6(i) (*Stop Loss Event*), as applicable, and the Final Terms.
"Closing Price Determination Date(s)"	The day or the days on which Reference Price(s) are calculated, as specified in the Final Terms or, where Closing Date Determination is specified as applicable in the relevant the Final Terms, the Issuer may determine a Closing Price Determination Date not earlier than one (1) week after the Issue Date, such date may occur not earlier than the Number of Closing Date Business Days after notice regarding determination of a Closing Price Determination Date was sent to the Holder and to the marketplace (if any) on which the Instrument is listed or admitted to trading.
"Closing Price Determination Period"	Each Scheduled Trading Day from and including the first Closing Price Determination Date specified in the Final Terms to and including the final Closing Price Determination Date specified in the Final Terms.
"Continuous Observation"	Means that the Barrier Reference Price is observed continuously on each Scheduled Trading Day during the relevant Observation Period which is not a Disrupted Trading Day, if specified in the relevant Final Terms.
"Coupon"	The value specified in the Final Terms.
"Coupon Barrier Level"	The value specified in the Final Terms.
"Coupon Level"	Means the value specified in the relevant Final Terms.
"Crossing Currency"	Means the currency specified as such in the Final Terms.
"Currency"	DKK, CHF, EUR, GBP, HKD, JPY, NOK, PLN, RUB, SEK, USD or such other currency as may be specified in the Final Terms.

"Currency Disruption" Means an event specified in Condition 9(c) (*Currency Disruption*).

"Day Calculation Method" Means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day calculation method as may be specified in the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/365 (Sterling)**" is so specified, means the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap years, 366;

(v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(vi) if "**30/360**", "**360/360**" or "**Bond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Calculation Method =

$$\frac{[360 \times (Y_2 - Y_1)]+[30\times(M_2 - M_1)]+(D_2 - D_1)}{360}$$

where

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

(vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)]+[30\times(M_2 - M_1)]+(D_2 - D_1)}{360}$$

Day Calculation Method

where

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(viii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Calculation Method =

$$\frac{[360 \times (Y_2 - Y_1)]+[30\times(M_2 - M_1)]+(D_2 - D_1)}{360}$$

where

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the date fixed for redemption or (ii) such number would be 31, in which case D2 will be 30,

provided, **however**, **that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Regular Period**" Means:

(i) in the case of Instruments where interest or yield is scheduled to be paid only by means of regular payments, each period from but excluding the Issue Date to and including the first Interest Payment Date or Yield Payment Date and each successive period from but excluding one Interest Payment Date or Yield Payment Date to and including the next Interest Payment Date or Yield Payment Date (as applicable);

(ii) in the case of Instruments where, apart from the first Interest Period or Yield Period, interest or yield is scheduled to be paid only by means of regular payments, each period from but excluding a Regular Date falling in any year to and including the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date or Yield Payment Date (as applicable) falls; and

(iii) in the case of Instruments where, apart from one Interest Period or Yield Period other than the first Interest Period or Yield Period, interest is scheduled to be paid only by means of regular payments, each period from but excluding a Regular Date falling in any year to and excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date or Yield Payment Date falls other than the Interest Payment Date or Yield Payment Date falling at the end of the irregular Interest Period or Yield Period;

"**DKK**" The Danish krone or the currency which may have replaced the Danish krona as legal tender in Denmark.

"**Disrupted Trading Day**" In conjunction with the determination of a Reference Price for one or more Underlying Assets which do not constitute a currency, a Scheduled Trading Day on which a Reference Source or Related

	Derivatives Market is not open for trading or does not publish a quoted price or on which a Market Disruption occurs. In conjunction with determination of an Initial Translation Rate, a Translation Rate or a Reference Price for one or more Underlying Assets which consist of a currency, a Scheduled Trading Day on which the Reference Source or Related Derivatives Market is not open for trading or on which Currency Disruption occurs.
"**Dividend**"	Any regular cash dividend, as determined by the Issuer in its sole discretion, for an Underlying Asset and for which the ex-dividend date falls either: (i) after the Issue Date and on or before the Expiration Date or (ii) in the case of Mini Futures and Unlimited Turbos only, and **provided that** "Cumulative Financing Level" or "Each Scheduled Trading Day" is not specified as applicable in the relevant Final Terms, during the period from (but excluding) one Financing Level Calculation Date up to (and including) the next following Financing Level Calculation Date.
"**Dividend Coupon**"	If "Dividend Coupon" is specified as applicable in the Final Terms accumulated dividends from the Underlying Asset(s) shall be paid on the Dividend Coupon Date(s), as specified in the Final Terms.
"**Dividend Coupon Date**"	A day when a Dividend Coupon is paid, as specified in the Final Terms.
"**Dividend Reinvestment**"	If "Dividend Reinvestment" is specified as applicable in the Final Terms dividends from the Underlying Asset(s) received by the Issuer or any of its affiliates in its capacity as holder of the Underlying Asset(s), or as party to any Hedge Transaction, will, after deduction of such costs and taxes, if any, as the Issuer or the relevant affiliate determines in its sole discretion be reinvested in the Underlying Asset(s) or relevant Hedge Transaction(s).
"**Dividend Reinvestment Date**"	The date when accumulated dividends from Underlying Asset(s) are reinvested in the Underlying Asset(s), as specified in the Final Terms.
"**Early Expiration Date**"	A day on which an Early Expiration Event occurs.
"**Early Expiration Event**"	If specified as applicable in the relevant Final Terms, an event which does not constitute an Extraordinary Suspension of Trading Event as determined by the Issuer, and which occurs at any time during a Scheduled Trading Day which is not a Disrupted Trading Day, commencing on the Listing Date or Issue Date (as specified in the relevant Final Terms) up to and including the Expiration Date, which means that the Barrier Reference Price for any Underlying Asset listed on a Reference Source is, in the Issuer's opinion, either equal to or lower (in respect of Call Warrants, Call Market Warrants, Long Market Warrants, Turbo Call Warrants, Mini Futures Long, Unlimited Turbos Long or Bull Certificates) or equal to or higher (in respect of Put Warrants, Put Market Warrants, Short Market Warrants, Turbo Put Warrants Unlimited Turbos Short or Bear Certificates) than the Barrier Level.
"**EUR**"	The currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.
"**EURIBOR**"	The rate of interest which (i) on or about 11:00am CET on the relevant date is published on the Reuter's Relevant Screen Page for the relevant period (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or – where such quotation is not available – (ii) at the

	aforementioned time, pursuant to notice from the Issuer, corresponds to: (a) the average of the rates of interest offered by European Reference Banks to leading commercial banks in Europe for deposits of EUR 10,000,000 for the period in question or, if only one or no such quotation is offered: (b) the Issuer's assessment of the rate of interest offered by leading commercial banks in Europe for loans of EUR 10,000,000 for the relevant period on the interbank market in Europe.
"European Reference Banks"	Four major commercial banks which, at the time in question, offer EURIBOR, STIBOR, LIBOR, NIBOR or CIBOR, and which are selected by the Issuer.
"Exchange Business Day Convention"	Means the convention which will be used to adjust a relevant day (as specified in the Final Terms) where such day occurs on a day which is not a Scheduled Trading Day. The adjustment may be made in accordance with any of the conventions stated below: (i) *Following Exchange Business Day:* Where a relevant day occurs on a day which is not a Scheduled Trading Day, it shall be postponed until the next Exchange Business Day. (ii) *Modified Following Exchange Business Day:* Where a relevant day occurs on a day which is not a Scheduled Trading Day, it shall be postponed until the next Scheduled Trading Day, unless the next Scheduled Trading Day occurs during the next calendar month, in which case the relevant day shall occur immediately prior to the Scheduled Trading Day. (iii) *Preceding Exchange Business Day:* Where a relevant day occurs on a day which is not a Scheduled Trading Day, it shall instead occur on the immediately preceding Scheduled Trading Day. If no Exchange Business Day Convention is specified in the relevant Final Terms, the Following Exchange Business Day Convention will apply.
"Exchange Rate Reference Source"	The exchange rate reference source as specified in the Final Terms or such other exchange rate reference source that is, in the opinion of the Issuer, the most appropriate.
"Exchange Rate Reference Time"	The time specified in the relevant Final Terms.
"Expiration Date"	Means the date specified in the Final Terms and these Conditions.
"Expiration Date Observation"	Means that the Barrier Level is observed on the Expiration Date.
"Extraordinary Suspension of Trading Event"	An event which, in the Issuer's opinion, would otherwise constitute an Early Expiration Event in respect of a given Instrument but which, in light of the fact that a Listing Date has not yet occurred with respect to the relevant Instrument or that no trading in the Instrument has yet taken place, in the Issuer's opinion will instead result in postponement of the Listing Date or in trading in the Instrument being restricted.
"Financing Level"	Means initially, the level specified in the Final Terms. On each Financing Level Calculation Date thereafter, the Financing Level will be equal to the Financing Level on the previous Financing Level Calculation Date plus the Accumulated Financing. For the avoidance of doubt, the Financing Level may be subject to adjustment in accordance with Condition 9(f) (*Adjustments*).

"Financing Level Calculation Date	Means either the date(s) specified in the Final Terms or, if "Cumulative Financing Level" is specified, a level calculated on each Scheduled Trading Day which is not a Disrupted Trading Day commencing on the Listing Date and up to and including the Expiration Date.
"Floor"	The value as specified in the Final Terms.
"Floor Strike"	The value as specified in the Final Terms.
"Fund"	The Fund specified as the Underlying Asset in the Final Terms.
"GBP"	The British pound or such currency as may have replaced the British pound as legal tender in Great Britain.
"Gearing"	Means the value specified in the relevant Final Terms.
"Hedge Transaction"	Means any transaction or trading position entered into or held by the Issuer and/or any of its affiliates to hedge, directly or indirectly, the Issuer's obligations or positions (whether in whole or in part) in respect of the Instruments or any hypothetical transaction or trading position relating to the Issuer's obligations or positions (whether in whole or in part) in respect of the Instruments, as determined by the Issuer in its sole discretion.
"HIBOR"	The rate of interest which (i) on or about 11.00 a.m. HKT on the relevant day is published on the Reuter's Relevant Screen Page (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or, where such quotation is not available (ii) at the aforementioned time corresponds to: (a) the average of the rates of interest offered by the Reference Banks for deposits in HKD for the period in question on the interbank market in Hong Kong or, if only one or no such quotation is offered, (b) the Issuer's assessment of the rate of interest offered by local commercial banks for loans in HKD for the relevant period on the interbank market in Hong Kong.
"HKD"	Hong Kong Dollars or such currency which may have replaced the Hong Kong Dollar as legal tender in Hong Kong.
"Index"	Means an Underlying Asset that is an index.
"Index Sponsor"	The corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) customarily announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day.
"Initial Accumulated Value"	Means the value specified in the Final Terms.
"Initial Price"	A price stated in the Final Terms.
"Initial Price Higher"	A price specified in the Final Terms.
"Initial Price Lower"	A price specified in the Final Terms.
"Initial Price Determination Date(s)"	The day or the days on which Reference Price(s) are calculated in connection with the determination of an Initial Price, as stated in the Final Terms.
"Initial Price Determination Period"	Each Scheduled Trading Day from and including the first Initial Price Determination Date specified in the Final Terms up to and including the final Initial Price Determination Date specified in the Final Terms.

"**Initial Translation Rate**"	Either: (a) the value specified in the Final Terms, or (b) the exchange rate for conversion of the Listing Currency to the Reference Currency in accordance with the Exchange Rate Reference Source at the Exchange Rate Reference Time on (i) the first or last Scheduled Trading Day during the Initial Price Determination Period as specified in the Final Terms or (ii) on the Initial Price Determination Date, as specified in the Final Terms.
"**Instruments**"	Warrants or Certificates issued pursuant to this Programme.
"**Interest**"	The interest to be paid per Underlying Amount on each Interest Payment Date.
"**Interest Determination Date(s)**"	The date or dates specified in the Final Terms or, if no date is specified, the date occurring two Business Days before the first day in each Interest Period.
"**Interest Payment Date(s)**"	The dates specified as such in the Final Terms subject to any Business Day Convention as set out in the Final Terms.
"**Interest Period(s)**"	(i) For the first Interest Period, the period from (and including) the Issue Date up to (but excluding) the first Interest Payment Date, and (ii) for subsequent Interest Periods, the period commencing on (and including) an Interest Payment Date until (but excluding) the following Interest Payment Date, **provided that**, with respect to issuances of Swedish Instruments, the period which begins on (but excluding) the Issue Date and ends on (but including) the first Interest Payment Date and each period which begins on (but excluding) an Interest Payment Date and ends on (but including) the next Interest Payment Date shall be the relevant Interest Period.
"**Issue Date**"	As specified in the Final Terms.
"**JPY**"	Japanese Yen or such currency which may have replaced the Japanese Yen as legal tender in Japan.
"**Leverage Factor**"	A factor stated in the Final Terms.
"**LIBOR**"	The rate of interest which (i) at or about 11.00 GMT on the day in question is published on Reuter's Relevant Screen Page (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or, where such quotation is not available, the rate of interest which (ii) at the aforementioned time corresponds to: (a) the average of the rates of interest offered by the Reference Banks for deposits in the relevant currency for the period in question on the interbank market in London or (b) the Issuer's assessment of the rate of interest offered by commercial banks in London for loans in the relevant currency for the relevant period on the interbank market in London.
"**Listing Currency**"	DKK, EUR, NOK, SEK, GBP, USD, PLN, CHF, RUB, HKD, JPY or another, in each case currency as specified in the Final Terms.
"**Listing Date**"	Means the date specified in the relevant Final Terms or, if an Extraordinary Suspension of Trading Event has occurred and is, in the Issuer's opinion, continuing, such later date as the Issuer may determine. In the case of Instruments which are not listed or admitted to trading, the Listing Date shall be the Issue Date.
"**Long Asset**"	Means the Underlying Asset specified as the Long Asset in the relevant Final Terms;
"**Management Company**"	Means in respect of a Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified under law or the constitutive and governing documents, subscription agreements and other agreements,

	applicable to the Fund, including any fund adviser, fund administrator, operator, management company, depository, custodian, sub-custodian, prime broker, administrator, trustee, registrar and transfer agent, domiciliary agent and any other person specified as such in the Final Terms
"Management Fee"	A fee stated in the Final Terms. Management Fees represent a cost charged by the Issuer in respect of administration and risk management.
"Market Disruption"	Means an event specified in Condition 9(a) (*Market Disruption*).
"Market Maker"	Means the Issuer, acting in its capacity as market maker in respect of the Instruments. *The Market Maker intends, under normal market conditions, to publish buy and sell rates for such number of trading posts as decided upon by the Market Maker from time to time. For Instruments which have a theoretical price which is lower than the lowest tick-size, no buy rate is normally quoted.*
"Material Price Percentage"	The value specified in the relevant Final Terms.
"Maximum Interest Amount"	As specified in the Final Terms.
"Maximum Interest Rate"	As specified in the Final Terms.
"Max Level"	A price stated in the Final Terms.
"Minimum Amount"	An amount stated in the Final Terms.
"MOSPRIME"	The rate of interest which (i) on or about 11.00 a.m. Moscow time on the relevant day published on the Reuter's Relevant Screen Page (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or, where such quotation is not available (ii) at the aforementioned time corresponds to: (a) the average of the rates of interest offered by the Reference Banks for deposits in RUB for the period in question on the interbank market in Moscow or, if only one or no such quotation is offered, (b) the Issuer's assessment of the rate of interest offered by local commercial banks for loans in RUB for the relevant period on the interbank market in Moscow.
"Multiplier"	A factor stated in the Final Terms. If no factor is stated in the Final Terms, the Multiplier shall be 1.
"NIBOR"	The rate of interest which (i) is determined at or about 12.00 CET on the relevant day and is published on the Reuter's Relevant Screen Page for the relevant period (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or, where such quotation is not available (ii) at the aforementioned time corresponds to: (a) the average of the rates of interest offered by the Reference Banks for deposits in NOK for the period in question on the interbank market in Oslo or, if only one or no such quotation is offered, (b) the Issuer's assessment of the rate of interest offered by local commercial banks for loans in NOK for the relevant period on the interbank market in Oslo.
"NOK"	The Norwegian krone or such currency as may have replaced the Norwegian krone as legal tender in Norway.
"Nordnet Agreement"	Has the meaning given to it in the relevant Final Terms.

"**Nordnet Termination Event**"	Means a termination of the Nordnet Agreement;
"**Number of Closing Date Business Days**"	Means the number of Business Days specified in the relevant Final Terms or, if a number of Business Days is not specified, five (5) Business Days.
"**Number of Expiration Date Business Days**"	Means the number of Business Days specified in the relevant Final Terms or, if a number of Business Days is not specified, five (5) Business Days.
"**Number of Redemption Business Days**"	Means the number of Business Days prior to the Redemption Date specified in the relevant Final Terms, or, if a number of Business days is not specified, five (5) Business Days.
"**Number of Trading Hours**"	Means the number of trading hours specified in the relevant Final Terms.
"**Observation Date**"	Means an Observation Start Date or an Observation End Date, as applicable.
"**Observation Day for Barrier Level(s)**"	The observations day(s) for the Barrier Level, as specified in the Final Terms.
"**Observation Start Date**"	Means the date specified in the relevant Final Terms.
"**Observation End Date**"	Means the date specified in the relevant Final Terms.
"**Observation Period**"	Means the period commencing on, and including, the Observation Start Date and ending on, and including, the Observation End Date.
"**Participation Rate**"	Means the value stated in the Final Terms. If no value is stated in the Final Terms, the Participation Rate shall be 100%.
"**PLN**"	Polish zloty or such currency which may have replace the Polish zloty as legal tender in Poland.
"**Potential Adjustment Event**"	Means (i) a subdivision, consolidation or reclassification of relevant Underlying Asset(s) or a free distribution or dividend of any such Underlying Assets to existing holders whether by way of bonus, capitalisation or similar issue; or (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Assets or (iii) a call by the issuer of the Underlying Assets (the "**Underlying Company**") in respect of any Underlying Assets that are not fully paid; or (iv) a repurchase by the Underlying Company or any of its subsidiaries of relevant Underlying Assets whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (v) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Underlying Asset(s).
"**Pre-determined Observation**"	Means that the Barrier Level is observed on certain pre-determined dates specified in the Final Terms.
"**Rate Option**"	Means the provisions for determining the relevant interest rate, as specified in Section 7.1 (*Rate Options*) of the 2006 ISDA Definitions.
"**Redemption**"	The right of an investor to request early redemption of Instruments, if applicable.
"**Redemption Date(s)**"	Means the date(s) specified in the relevant Final Terms.
"**Redemption Fee**"	A fee charged by the Issuer for processing applications for redemption, and which shall not exceed the amount specified in the Final Terms.

"Redemption Price"	The value as specified in the Final Terms or, if "Cumulative Redemption Price" is specified, the Redemption Price will be a price calculated on each Scheduled Trading Day which is not a Disrupted Trading Day (a "**Redemption Price Calculation Date**"), commencing on the Listing Date and up to and including the Expiration Date. The start value for the Redemption Price on the Listing Date is Redemption Price Start. On each Redemption Price Calculation Date thereafter, the Redemption Price will be equal to the Redemption Price on the previous Redemption Price Calculation Date plus the Accumulated Financing.
"Redemption Price Start"	Means the value specified in the Final Terms.
"Reference Banks"	Four major commercial banks which, at the time in question, offer the relevant Base Rate and which are selected by the Issuer.
"Reference Currency"	The currency in which a Reference Price is determined.

"Reference Price"

Means one of the following, as specified in the relevant Final Terms:

(i) The price for the Underlying Asset, calculated by the Issuer in accordance with an applicable Reference Price Determination Method; or

(ii) where the Underlying Asset is a Basket:

$$RK = \sum_{i}^{n} KR_i \times KV_i \times V_i$$

Where

RK = Reference Price

KR_i = Basket Component Reference Price for Basket Component "I", **provided that** if the Basket comprises a cash component, the Reference Price for that cash component shall be the relevant cash amount.

KV_i = Basket Component weight for Basket Component "i"

V_i = Basket Component Exchange Rate for Basket Component "i"

or

(iii) all of the most recent transaction prices listed by a Reference Source for the Underlying Asset during continuous trading commencing on and including the Listing Date up to and including the Expiration Date; or

(iv) the arithmetic mean of the prices for the Underlying Asset, calculated by the Issuer in accordance with an applicable Reference Price Determination Method, on each Scheduled Trading Day during the Reference Price Determination Period which is not a Disrupted Trading Day.

"Reference Price Determination Date(s)"	The day or the days on which Reference Price(s) are calculated, as stated in the Final Terms.
"Reference Price Determination Period"	Each Scheduled Trading Day from and including the first Reference Price Determination Date specified in the Final Terms up to and including the final Reference Price Determination Date specified in the Final Terms.

"**Reference Price Determination Method**"	The price determination method which is stated in the Final Terms, which may comprise any of the following: (i) *Official Closing:* the official closing price for an Underlying Asset listed on a market place which is determined to be a Reference Source by the Issuer, in its sole discretion; (ii) *Fixing:* the price which is calculated and published on a specific Reference Source set out in the Final Terms; or (iii) *Valuation Time:* the price of one or more Underlying Assets on a Reference Source at a time stated in the Final Terms ("**Valuation Time**").
"**Reference Rate**"	Means the value specified in the Final Terms.
"**Reference Source**"	The regulated market(s), multilateral trading facility(s), other marketplace(s) or other reference sources on which, in the Issuer's opinion, an Underlying Asset is primarily traded, listed or quoted from time to time.
"**Related Derivatives Market**"	The regulated market(s), multilateral trading facility(s), other marketplace(s) or other reference sources on which, in the Issuer's opinion, options or futures contracts regarding an Underlying Asset are primarily traded or listed from time to time.
"**Relevant Nominating Body**"	Means, in respect of a benchmark or screen rate (as applicable): (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof or (iii) the International Swaps and Derivatives Association;
"**Replacement Underlying Asset**"	An alternative Underlying Asset which the Issuer chooses in a commercially reasonable manner.
"**Reuter's Relevant Screen Page**"	The screen page specified in the Final Terms.
"**Roll Date(s)**"	The date(s) specified in the Final Terms.
"**RUB**"	Russian roubles or such currency which may have replaced the Russian rouble as legal tender in Russia.
"**SEK**"	The Swedish krona or such currency as may have replaced the Swedish krona as legal tender in Sweden.
"**Settlement Amount**"	The settlement amount in respect of the relevant Instruments, as calculated in accordance with the Conditions.
"**Settlement Date**"	The date specified in the Final Terms.
"**Scheduled Trading Day**"	Unless otherwise stated in the Final Terms and irrespective of whether Market Disruption has occurred, in respect of: (a) each Underlying Asset which comprises a share/depositary receipt, share index or any other type of Underlying Asset which is traded on an exchange or marketplace, a day on which:

(i) trading is scheduled to take place in an Underlying Asset on a Reference Source and on a Related Derivatives Market; and/or

(ii) the relevant Index Sponsor is scheduled to publish the level of the index and, in respect of each Underlying Asset for which a price is published, a day on which the price for such an Underlying Asset is scheduled to be published, or will be published and, in respect of an Underlying Asset which comprises a fund or a fund index, a day on which the value of the Underlying Asset or units of an Underlying Asset is scheduled to be published and, in respect of any other Underlying Asset and/or Basket Component, a day specified in the Final Terms,

(b) in respect of each Underlying Asset which is a currency, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency, which in the case of euro shall be a TARGET Settlement Day, and (c) in respect of each Underlying Asset which is an exchange rate, a day on which the price for such exchange rate is scheduled to be published on the Reference Source specified in the relevant Final Terms.

"Short Asset"	Means the Underlying Asset specified as the "Short Asset" in the relevant Final Terms.
"Specific Early Redemption"	The right of the Issuer to redeem Instruments early in accordance with the Conditions, if applicable.
"Specific Early Redemption Date"	The day on which the Issuer makes a Specific Early Redemption of Instruments.
"Spread"	The value specified in the Final Terms.
"STIBOR"	The rate of interest which (i) at 11:00am CET on the day in question is published on the Reuter's Relevant Screen Page for the relevant period (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or – where such quotation is not available (ii) at the aforementioned time, corresponds to: (a) the average of the rates of interest offered by the Reference Banks for deposits of SEK 100,000,000 for the period in question on the interbank market in Stockholm or, if only one or no such quotation is offered (b) the rate of interest which, in the Issuer's assessment, local commercial banks offer for loans in SEK for the relevant period on the interbank market in Stockholm.
"Stop Loss Buffer"	Means, initially, the level specified in the relevant Final Terms and thereafter shall be such level as may be determined by the Issuer from time to time, **provided that** such level may not exceed the Maximum Stop Loss Buffer (if any) specified in the relevant Final Terms and the Issuer shall notify holders in accordance with Condition 19 (*Notices*) as soon as practicable following any adjustment of the Stop Loss Buffer.
"Stop Loss Event"	If specified as applicable in the relevant Final Terms, an event which does not constitute an Extraordinary Suspension of Trading Event as determined by the Issuer, and which occurs at any time on a Scheduled Trading Day, which is not a Disrupted Trading Day, during the Stop Loss Observation Period, which means that the Stop Loss Reference Price for any Underlying Asset listed on a Reference Source is, in the Issuer's opinion, equal to or either

	equal to or lower (in respect of Call Warrants, Call Market Warrants, Long Market Warrants, Turbo Call Warrants, Mini Futures Long, Unlimited Turbos Long or Bull Certificates) or equal to or higher (in respect of Put Warrants, Put Market Warrants, Short Market Warrants, Turbo Put Warrants, Mini Futures Short, Unlimited Turbos Short and Bear Certificates) than the Stop Loss Level.
"Stop Loss Level"	Means initially the level specified in the relevant Final Terms, and thereafter means the product of either: (i) the Reference Price, or (ii) the Financing Level, or (iii) the most recent official closing price for the Underlying Asset quoted on the Reference Source, and the result obtained by either: (i) subtracting the Stop Loss Buffer from 100% (in respect of Call Warrants, Call Market Warrants, Long Market Warrants, Turbo Call Warrants, Mini Futures Short, Unlimited Turbos Short or Bull Certificates), or (ii) adding the Stop Loss Buffer to 100% (in respect of Put Warrants, Put Market Warrants, Short Market Warrants, Turbo Put Warrants, Mini Futures Long, Unlimited Turbos Long and Bear Certificates), in each case as specified in the relevant Final Terms, on each Stop Loss Rollover Date, rounded to 4 decimal places.
"Stop Loss Observation Period"	Means the period specified in the relevant Final Terms.
"Stop Loss Reference Price"	Either: (a) all of the most recent transaction prices during continuous trading listed on a Reference Source, commencing on the Listing Date up to and including the Expiration Date, (b) the last trade price during continuous trading on a Reference Source on the Expiration Date, or (c) in case of a Mini Future Basket Long, the value observed by the Issuer commencing on the Listing Date up to and including the Expiration Date as being the sum of (i) the Cash Component, (ii) the most recent transaction prices of the Long Asset during continuous trading listed on a Reference Source multiplied by the Basket Weight of the Long Asset and (iii) the most recent transaction prices of the Short Asset during continuous trading listed on a Reference Source multiplied by the Basket Weight of the Short Asset, as specified in the relevant Final Terms and, in each case, as determined by the Issuer in its sole discretion. Unless otherwise stated in the Final Terms, the Issuer reserves the right to determine whether a price is reasonable and may thereby constitute a Stop Loss Reference Price.
"Stop Loss Rollover Date(s)"	Means the dates specified in the relevant Final Terms.
"Stop Loss Trigger Date"	A date on which a Stop Loss Event occurs.
"Strike Level"	The value specified in the Final Terms.
"Strike Price"	As stated in the Final Terms.
"Strike Price Determination Date(s)"	The day or the days on which Reference Price(s) are calculated in connection with the determination of a Strike Price, as stated in the Final Terms.

"**Strike Price Determination Period**"	Each Scheduled Trading Day from and including the first Strike Price Determination Date specified in the Final Terms up to and including the final Strike Price Determination Date specified in the Final Terms.
"**Successor Rate**"	means the reference rate (and related alternative screen page or source, if available) that the Issuer determines is a successor to or replacement of the relevant Affected Reference Rate (for the avoidance of doubt, whether or not a Benchmark Event has occurred in respect of such Affected Reference Rate) which is formally recommended by any Relevant Nominating Body.
"**TARGET2**"	means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007, or any successor thereto.
"**TARGET Settlement Day**"	means any day on which TARGET2 is open for the settlement of payments in euro.
"**TIBOR**"	The rate of interest which (i) on or about 11.00 a.m. JST on the relevant day published on the Reuter's Relevant Screen Page (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or, where such quotation is not available (ii) at the aforementioned time corresponds to: (a) the average of the rates of interest offered by the Reference Banks for deposits in JPY for the period in question on the interbank market in Tokyo or, if only one or no such quotation is offered, (b) the Issuer's assessment of the rate of interest offered by local commercial banks for loans in JPY for the relevant period on the interbank market in Tokyo.
"**Trading Hour**"	Means an hour during which the Reference Source publishes official prices for the Underlying Asset.
"**Trading Lot**"	A number or amount stated in the Final Terms.
"**Translation Rate**"	The exchange rate for conversion of the Listing Currency into the Reference Currency, as determined by reference to the average of the latest bid and ask prices for the Listing Currency and the Reference Currency published on the Exchange Rate Reference Source at the Exchange Rate Reference Time on each Valuation Date, as set out in the Final Terms. If "Cross Rate" is specified in the relevant Final Terms to be applicable in respect of such Translation Rate, the rate shall be determined by converting an amount in the Listing Currency into the Crossing Currency and then converting the resultant amount from the Crossing Currency into the Reference Currency, in each case as determined by reference to the average of the latest bid and ask prices for the Listing Currency, the Crossing Currency and the Reference Currency published on the Exchange Rate Reference Source at the Exchange Rate Reference Time on each Valuation Date, as set out in the Final Terms.
"**Underlying Amount**"	The amount specified in the Final Terms.
"**Underlying Asset**"	Securities, indices, interest rates, exchange rates, fund units, commodities, futures contracts, forward contracts, currencies, cash amounts or baskets thereof, or combinations of, or relationships between, assets, as stated in the Final Terms.
"**USD**"	The American dollar or such currency as may have replaced the American dollar as legal tender in the United States of America.

"**Valuation Date**"	An Initial Price Determination Date, Closing Price Determination Date or another day on which a Reference Price or Basket Component Reference Price is calculated in connection with the determination of a Settlement Amount, Redemption Price, Interest Amount or Yield Amount in accordance with the Conditions.
"**Valuation Time**"	As stated in the Final Terms or, unless otherwise stated, the time of day when the calculation referred to in the definition of Valuation Date is made by the institution which, as determined by the Issuer in its sole discretion, calculates and, where applicable, publishes a relevant reference price or value. The Issuer reserves the right to change the Valuation Time specified in the Final Terms by giving no fewer than 2 calendar days' notice thereof to Holders in accordance with Condition 19 (*Notices*).
"**VP account**"	A securities account at a Clearing System on which a respective Holder's holdings of Instruments are registered.
"**WIBOR**"	The rate of interest which (i) on or about 11.00 a.m. CET on the relevant day is published on the Reuter's Relevant Screen Page (or through such other system or on such other screen page as replaces the aforementioned system or screen page) or, where such quotation is not available (ii) at the aforementioned time corresponds to: (a) the average of the rates of interest offered by the Reference Banks for deposits in PLN for the period in question on the interbank market in Warsaw or, if only one or no such quotation is offered, (b) the Issuer's assessment of the rate of interest offered by local commercial banks for loans in PLN for the relevant period on the interbank market in Warsaw.
"**X**"	As specified in the Final Terms.
"**Yield Amount**"	The amount that shall be paid per Underlying Amount on each Yield Payment Day.
"**Yield Determination Date(s)**"	The day or days specified in the Final Terms, or, if no date has been specified, the day two Business Days prior to the first day in every Yield Period.
"**Yield Payment Date**"	Means each day specified as such in the Final Terms.
"**Yield Period(s)**"	(i) the period from (and including) the Issue Date to (but excluding) the first Yield Payment Date and (ii) in relation to the next Yield Periods, the period beginning on (and including) a Yield Payment Date to (but excluding) the next Yield Payment Date, however, as regards Swedish Instruments, the period beginning on (but excluding) the Issue Date and ending on (and including) the initial Yield Payment Date and each period beginning on (but excluding) a Yield Payment Date and ending on (and including) the next Yield Payment Date shall be the relevant Yield Period.

2. **Form and Denomination**

(a) ***Form*** Instruments, other than VP Instruments, VPS Instruments, Swedish Instruments and Finnish Instruments, are issued in registered form and are serially numbered.

The VP Instruments are issued in uncertificated and dematerialised book entry form in accordance with the Danish Capital Markets Act Consolidated Act No. 931 of 6 September 2019, as amended or replaced from time to time (*Kapitalmarkedsloven*), the Danish Executive Order No. 1175 of 31 October 2017, as amended from time to time (*Bekendtgørelse om registrering m.v. af fondsaktiver i en værdipapircentral* (CSD)) (the "**Danish Executive Order**"), and part 3 of the VP Rule Book dated 1 October 2019, as amended from time to time (the "**VP Rule Book**").

The VPS Instruments are issued in uncertificated and dematerialised book entry form in accordance with the Norwegian Securities Register Act 2002 (in Norwegian: *lov om registrering av finansielle instrumenter 2002 5. juli nr. 64*) and, once it has entered into force, the Norwegian Securities Register Act 2019 (in Norwegian: *lov om verdipapirsentraler og verdipapiroppgjør mv. 2019 15. mars nr. 6*).

The Swedish Instruments are issued in uncertificated and dematerialised book entry form in accordance with the Swedish Financial Instruments Accounts Act (*Sw. lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) as amended.

Finnish Instruments are issued in uncertificated and dematerialised book entry form in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity (Fin. *laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* (348/2017)), as amended, and the Finnish Act on Book-Entry Accounts (Fin. *laki arvo-osuustileistä* (827/1991)), as amended, as well as the rules and regulations of Euroclear Finland.

(b) ***Form of Registered Instruments***

Instruments issued in registered form ("**Registered Instruments**") will be in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement.

(c) ***Form of VP Instruments***

A Tranche or a Series of Instruments (as the case may be), if so specified in the relevant Final Terms may be cleared and settled through the VP in accordance with Danish laws, regulations and operating procedures applicable to and/or issued by the VP for the time being (the "**VP Rules**"). The VP Instruments shall be regarded as Registered Instruments for the purposes of these Conditions save to the extent these Conditions are inconsistent with Danish laws, regulations and VP Rules. No physical Instruments or certificates will be issued in respect of the VP Instruments and the provisions in these Conditions relating to presentation, surrendering or replacement of such physical VP Instruments or certificates shall not apply to the VP Instruments.

(d) ***Form of VPS Instruments***

The VPS Instruments shall be regarded as Registered Instruments for the purposes of these Conditions save to the extent these Conditions are inconsistent with Norwegian laws, regulations and operating procedures applicable to and/or issued by VPS for the time being (the "**VPS Rules**"). No physical VPS Instruments or certificates will be issued in respect of the VPS Instruments and the provisions in these Conditions relating to presentation, surrendering or replacement of such physical Instruments or certificates shall not apply to the VPS Instruments.

(e) ***Form of Swedish Instruments***

The Swedish Instruments shall be regarded as Registered Instruments for the purposes of these Conditions save to the extent these Conditions are inconsistent with Swedish laws, regulations and operating procedures applicable to and/or issued by Euroclear Sweden for the time being (the "**Euroclear Sweden Rules**"). No physical Swedish Instruments or certificates will be issued in respect of the Swedish Instruments and the provisions in these Conditions relating to presentation, surrender or replacement of such physical Swedish Instruments or certificates shall not apply to the Swedish Instruments.

(f) ***Form of Finnish Instruments***

The Finnish Instruments shall be regarded as Registered Instruments for the purposes of these Conditions save to the extent these Conditions are inconsistent with Finnish laws, regulations and operating procedures applicable to and/or issued by Euroclear Finland for the time being (the "**Euroclear Finland Rules**"). No physical Finnish Instruments will be issued in respect of the Finnish Instruments and the provisions in these Conditions relating to presentation, surrender or replacement of such physical Finnish Instruments shall not apply to the Finnish Instruments.

(g) ***Currency of Instruments***

Instruments may be issued in any currency subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

(h) ***Consolidation***

The Issuer may in certain circumstances consolidate the Instruments with one or more further Tranches of Instruments of the same Series, as described in Condition 21 (*Further Issues*) below.

3. **Title**

(a) ***Title to Registered Instruments, VP Instruments, VPS Instruments, Swedish Instruments and Finnish Instruments***

Title to Registered Instruments passes by registration in the register which is kept by the Registrar as specified in the relevant Final Terms. References herein to the "**Instrumentholders**" or "**Holders**" of Registered Instruments signify the persons in whose names such Instruments are so registered.

Title to the VP Instruments shall pass by registration in the register (the "**Danish Instrument Register**") maintained by the VP Issuing Agent in accordance with the VP Rules. The Issuer shall be entitled to obtain information from VP in accordance with the VP Rules. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any VP Instrument shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the Holder. In these Conditions in relation to VP Instruments only, "**Instrument Holder**" or "**Instrument**" means, as the context requires, the person in whose name a VP Instrument is registered in the Danish Instrument Register and shall also include any person duly authorised to act as a nominee and registered as a holder of the VP Instruments. If the Instruments of such Tranche cease to be registered in the VP, Nordea Bank Abp as account holding institute for the duly registered owners shall supply the VP Issuing Agent with all necessary information with regard to such duly registered owners and the VP Issuing Agent shall enter such information into the Danish Instrument Register.

Title to the VPS Instruments shall pass by registration in the register (the "**VPS Register**") in accordance with the Norwegian VPS Rules. The Issuer shall be entitled to obtain information from VPS in accordance with the VPS Rules. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any VPS Instrument shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the Holder. In these Conditions in relation to VPS Instruments only, "**Instrument Holder**" or "**Holder**" means, as the context requires, the person in whose name a VPS Instrument is registered in the VPS Register and shall also include any person duly authorised to act as a nominee (*forvalter*) and registered as a holder of the VPS Instruments.

Title to the Swedish Instruments shall pass by registration in the book entry system and register maintained by Euroclear Sweden (the "**Euroclear Sweden Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Swedish Instrument shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the Holder. In these Conditions in relation to Swedish Instruments only, "**Instrument Holder**" or "**Holder**" means, as the context requires, the person in whose name a Swedish Instrument is registered in the Euroclear Sweden Register and shall also include any person duly authorised to act as a nominee (*förvaltare*) and registered as a holder of the Swedish Instruments.

Where a nominee (*förvaltare*) in accordance with the SFIA Act is so evidenced it shall be treated by the Issuer as the holder of the relevant Swedish Instruments.

Title to the Finnish Instruments shall pass by registration in the book-entry system and register maintained by Euroclear Finland. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Finnish Instrument shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the Holder. References herein to the "**Instrument Holders**" or "**Holders**" of Finnish Instruments means, as the context requires, persons in whose name the Finnish Instruments are registered in Euroclear Finland's register.

The Holder of any Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

(b) ***Transfer of Registered Instruments, VP Instruments, VPS Instruments, Swedish Instruments and Finnish Instruments***

Registered Instruments

A Registered Instrument may, upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement, be transferred in whole or in part only (**provided that** such part is equal to a whole number of Instruments) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.

Each new Registered Instrument to be issued upon the transfer of Registered Instruments will, upon the effective receipt of such form of transfer by the Registrar at its specified office, be available for delivery at the specified office of the Registrar. For these purposes, a form of transfer received by the Registrar during the period of fifteen London Banking Days, ending on the due date for any payment on the relevant Registered Instruments shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment.

The issue of new Registered Instruments on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation thereto.

VP Instruments

One or more VP Instruments may be transferred in accordance with VP Rules. Each new VP Instrument to be issued shall be available for delivery within two business days of receipt of the request and the surrender of the VP Instruments for exchange. Delivery of the new VP Instrument(s) shall be made to the same VP account on which the original VP Instruments were registered. In this Condition 3(b) (*Transfer of Registered Instruments, VP Instruments, VPS Instruments, Swedish Instruments and Finnish Instruments*) in relation to VP Instruments only, "**business day**" has the meaning ascribed to such term by the then applicable rules and procedures of the VP.

Exchange and transfer of VP Instruments on registration, transfer, partial redemption or exercise of a call or a put option shall be effected without charge by or on behalf of the VP Issuing Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the VP Issuing Agent may require).

No Holder may require the transfer of a VP Instrument to be registered during any closed period pursuant to the then applicable VP Rules.

All transfers of VP Instruments are subject to any cut-off dates applicable to such VP Instruments and are subject to any other rules and procedures for the time being of the VP. The VP's rules and regulations may be downloaded from its website: http://www.vp.dk.

VPS Instruments

One or more VPS Instruments may be transferred in accordance with the VPS Rules. In the case of an exercise of option resulting in VPS Instruments of the same holding having different terms, separate VPS Instruments registered with the VPS Register shall be issued in respect of those VPS Instruments of that holding having the same terms. Such VPS Instruments shall only be issued against surrender of the existing VPS Instruments in accordance with the VPS Rules.

Each new VPS Instrument to be issued pursuant to the above, shall be available for delivery within five business days of receipt of the request and the surrender of the VPS Instruments for exchange. Delivery of the new VPS Instrument(s) shall be made to the same VPS account on which the original VPS Instruments were registered. In this Condition 3(b) (*Transfer of Registered Instruments, VP Instruments, VPS Instruments, Swedish Instruments and Finnish Instruments*) in relation to VPS Instruments only, "**business day**" means a day, other than a Saturday or Sunday on which VPS is open for business.

Exchange and transfer of VPS Instruments on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer or the VPS Paying Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the VPS Paying Agent may require).

No Holder may require the transfer of a VPS Instrument to be registered during any closed period pursuant to the then applicable VPS Rules.

Swedish Instruments

One or more Swedish Instruments may be transferred in accordance with Euroclear Sweden Rules. Exchange and transfer of Swedish Instruments on registration, transfer, partial redemption or exercise of a call or a put option shall be effected without charge by or on behalf of the Issuer or the Swedish Issuing Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Swedish Issuing Agent may require).

No Holder may require the transfer of a Swedish Instrument to be registered during any closed period pursuant to the then applicable Euroclear Sweden Rules.

All transfers of Swedish Instruments are subject to any cut-off dates applicable to such Swedish Instruments and are subject to any other rules and procedures for the time being of Euroclear Sweden. The Euroclear Sweden Rules may be downloaded from its website: http://www.euroclear.com.

Finnish Instruments

One or more Finnish Instruments may be transferred in accordance with Euroclear Finland Rules. Exchange and transfer of Finnish Instruments on registration, transfer, partial redemption or exercise of a call or a put option shall be effected without charge by or on behalf of the Issuer or the Finnish Issuing Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Finnish Issuing Agent may require).

No Holder may require the transfer of a Finnish Instrument to be registered during any closed period pursuant to the then applicable Euroclear Finland Rules.

All transfers of Finnish Instruments are subject to any cut-off dates applicable to such Finnish Instruments and are subject to any other rules and procedures for the time being of Euroclear Finland. Euroclear Finland's rules and regulations may be downloaded from its website: http://www.euroclear.com.

4. **Status**

The Instruments of each Series constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future.

5. **Interest and Yield**

Instruments may be interest bearing or non-interest bearing, as specified in the relevant Final Terms. The amount of interest payable per Instrument on each Interest Payment Date, (the "**Interest Amount**") shall be calculated in accordance with one of the following alternatives as further specified in the relevant Final Terms. Unless otherwise specified in these Conditions, the Interest Amount will be an amount per Instrument and will be payable in arrear on each Interest Payment Date.

Instruments may be yield bearing or non-yield bearing, as specified in the relevant Final Terms. The amount of yield payable per Instrument on each Yield Payment Date, (the "**Yield Amount**") shall be calculated in accordance with one of the following alternatives as further specified in the relevant Final Terms. Unless otherwise specified in these Conditions, the Yield Amount will be an amount per Instrument and will be payable in arrear on each Yield Payment Date.

(a) ***Cap/Floor***

If "Cap/Floor" is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be determined by multiplying the Underlying Amount by:

(i) the Interest Rate; and

(ii) the fraction determined in accordance with the Day Calculation Method.

"**Interest Rate**" means the higher of: (i) zero and (ii) the Adjusted Reference Rate Return.

"**Adjusted Reference Rate Return**" is the product of the Gearing and the result obtained by subtracting the Strike Level from the Reference Price at the Valuation Time on the relevant Valuation Date.

"**Gearing**" means the value specified in the relevant Final Terms (which may be negative).

(b) ***Capped Floor Float***

Where "Capped Floor Float" is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be determined by multiplying the Underlying Amount by:

(i) the lower of the Cap Strike and the Adjusted Reference Rate Return; and

(ii) the fraction determined in accordance with the Day Calculation Method;

The "**Adjusted Reference Rate Return**" is the higher of:

(i) the total of the Reference Rate and the Spread; and

(ii) the Floor Strike.

(c) ***Compounding Floater***

Where "Compounding Floater" is specified as applicable in the relevant Final Terms, the Interest Amount for the relevant Interest Period will be paid on the Settlement Date and will equal the Underlying Amount multiplied by the Capitalised Interest Rate.

"**Capitalised Interest Rate**" is the periodically capitalised Interest Rate, taking into account the applicable Day Calculation Method.

"**Interest Rate**" is the lower of the Maximum Interest Rate and the Adjusted Reference Rate Return.

"**Adjusted Reference Rate Return**" is the higher of:

(i) The Floor, and

(ii) The Gearing, multiplied by the sum of the Reference Price on the applicable Valuation Date and the Spread.

"**Spread**" is the value specified in the relevant Final Terms.

"**Gearing**" is the value specified in the relevant Final Terms.

(d) ***Range Accrual***

Where the Term "Range Accrual" is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period comprises the amount obtained by multiplying the Underlying Amount by:

(i) X;

(ii) the Relevant Proportion; and

(iii) the fraction determined in accordance with the Day Calculation Method.

"**X**" is the value specified in the relevant Final Terms.

The "**Relevant Proportion**" shall be calculated by dividing the number of days in the relevant Interest Period during which the Reference Price for the Underlying Asset or the Basket is lower than or equal to the Initial Price Higher and higher than or equal to the Initial Price Lower, by the total number of days during the applicable Interest Period.

(e) ***Digital Long***

Where "Digital Long" is specified as applicable in the relevant Final Terms, the Yield Amount payable on each Yield Payment Date shall, if the Basket Return on any Yield Determination Date is equal to or exceeds the Barrier Level specified in the Final Terms, be equal to the Underlying Amount multiplied by the Coupon.

Where the Basket Return does not equal or exceed the Barrier Level specified in the Final Terms on any Yield Determination Date, the Yield Amount payable on each Yield Payment Date shall be zero.

The "**Basket Return**" constitutes the total of the Weighted Asset Return for each Basket Component in the Basket, **provided that**, if a "Basket Floor" is specified as applicable in the relevant Final Terms, the Basket Return shall be the higher of a) the Lowest Basket Return, and b) the total of the Weighted Asset Return for each Basket Component in the Basket.

The "**Weighted Asset Return**" comprises the Asset Return multiplied by the applicable Basket Participation.

The "**Asset Return**" is the result obtained by dividing (i) the Closing Price for each Basket Component by (ii) its Initial Price, minus the Strike Level.

The "**Lowest Basket Return**" means the level specified in the relevant Final Terms.

(f) ***Digital Short***

Where "Digital Short" is specified as applicable in the Final Terms, and **provided that** the Basket Return on any Yield Determination Date is equal to, or lower than, the Barrier Level specified in the Final Terms, the Yield Amount payable on each Yield Payment Date shall be equal to the Underlying Amount multiplied by the Coupon.

Where the Basket Return is higher than the Barrier Level specified in the Final Terms on any Yield Determination Date, the Yield Amount payable on each Yield Payment Date shall be zero.

"**Basket Return**" comprises the total of the Weighted Asset Return for each Basket Component in the Basket.

The "**Weighted Asset Return**" comprises the Asset Return multiplied by the applicable Basket Participation.

The "**Asset Return**" is the result obtained by subtracting from the Strike Level the amount obtained by dividing the Closing Price for each Underlying Asset by its Initial Price.

(g) ***Basket Long***

Where "Basket Long" is specified as applicable in the relevant Final Terms, the Yield Amount payable on each Yield Payment Day shall comprise an amount obtained by multiplying the Underlying Amount by:

(i) the Basket Return; and

(ii) the Participation Rate.

The "**Basket Return**" is the total of the Weighted Asset Return for each Basket Component in the Basket, **provided that**, where "Basket Floor" is specified as applicable in the relevant Final Terms, the Basket Return shall be the higher of a) the Lowest Basket Return, and b) the total of the Weighted Asset Return for each Basket Component.

The "**Weighted Asset Return**" comprises the Asset Return multiplied by the applicable Basket Participation.

The "**Asset Return**" is the result obtained by dividing (i) the Closing Price for each Basket Component (ii) by its Initial Price, minus the Strike Level.

(h) ***Basket Short***

Where the Term "Basket Short" is specified as applicable in the relevant Final Terms, the Yield Amount payable on each Yield Payment Date shall comprise an amount obtained by multiplying the Underlying Amount by:

(i) the Basket Return; and

(ii) the Participation Rate.

The "**Basket Return**" is the total of the Weighted Asset Return for each Basket Component in the Basket.

The "**Weighted Asset Return**" comprises the Asset Return multiplied by the applicable Basket Participation.

The "**Asset Return**" is the result obtained by subtracting from the Strike Level the amount obtained by dividing the Closing Price for each Basket Component by its Initial Price.

(i) ***Autocall coupon***

Where "Autocall Coupon" is specified as applicable in the relevant Final Terms, and **provided that** the Basket Value on any Valuation Date is higher than, or equal to, the Coupon Barrier Level specified in the Final Terms, the Instruments shall pay a coupon (the "**Coupon**") on the immediately subsequent Yield Payment Date. The amount of such Coupon Payment shall be determined as follows.

(i) Where "**Flat Coupon**" is specified in the Final Terms, the Coupon Payment shall comprise an amount corresponding to the Underlying Amount multiplied by the relevant Coupon Level;

(ii) Where "**Memory Coupon**" is specified in the Final Terms, the Coupon Payment shall comprise an amount corresponding to the Underlying Amount multiplied by the relevant Coupon Level, multiplied by the number of immediately preceding Yield Payment Dates (up to and including the Yield Payment Date which immediately follows the applicable Yield Determination Date) in respect of which a Coupon has not been paid;

(iii) Where "**Plus Flat Coupon**" is specified in the Final Terms, the Coupon Payment will comprise an amount corresponding to the Underlying Amount multiplied by the higher of: (a) the relevant Coupon Level and (b) the Bonus Factor; and

(iv) Where "**Plus Memory Coupon**" is specified in the Final Terms, the Coupon Payment shall comprise an amount corresponding to the Underlying Amount multiplied by the higher of: (a) the relevant Coupon Level multiplied by the number of immediately preceding Yield Payment Dates (up to and including the Yield Payment Date which immediately follows the applicable Yield Determination Date) in respect of which a coupon has not been paid and (b) the Bonus Factor.

The "**Bonus Factor**" and the "**Basket Value**" are:

(i) Where "*Basket Level*" is specified as applicable in the Final Terms, the Bonus Factor will amount to the Weighted Asset Return and the Basket Value will be the Basket Return plus the Strike Level;

(ii) Where "*Best/Worst Price*" is specified as applicable in the Final Terms, the Bonus Factor will amount to the Asset Return for the Nth best performing Underlying Asset and the Basket Value will be the Closing Price for the Nth best performing Basket Component on the relevant Valuation Date, divided by the Initial Price of the Nth best performing Basket Component.

Where the Basket Value or the Asset Return for the Nth best performing Underlying Asset on any Valuation Date is below the Coupon Barrier Level, no Coupon will be paid out on the immediately following Yield Payment Date.

The "**Nth best performing**" Basket Component will be the asset with the Nth highest Asset Return where "**N**" shall be a value specified in the relevant Final Terms.

The "**Asset Return**" is the result obtained by dividing the Closing Price for each Basket Component by its Initial Price, minus the relevant Strike Level.

The "**Basket Return**" is the total of the Weighted Asset Return for each Basket Component in the Basket, **provided that**, where "Basket Floor" is specified in the Final Terms as applicable, the Basket Return shall be the higher of a) the Lowest Basket Return, and b) the sum of the Weighted Asset Return for each Basket Component in the Basket.

The "**Weighted Asset Return**" comprises the Asset Return multiplied by the applicable Basket Participation.

(j) ***Max Component***

Where "Max Component" is specified as applicable in the relevant Final Terms, the Interest Amount shall comprise the lower of: a) the Interest Amount as determined in accordance with one or more of the other performance structures specified in the relevant Final Terms and b) the Maximum Interest Amount.

(k) ***Currency Components***

Currency Component–Basket

Where "Currency Components–Basket" has been specified as applicable in the relevant Final Terms, the Basket Return which is determined in accordance with any of the preceding paragraphs of this Condition 5 (*Interest and Yield*) will also be multiplied by the applicable Translation Rate for the purpose of determining the total Interest Amount payable to the Holders on the relevant

Interest Payment Date(s). Currency Component - Basket may be applicable only when the Basket Return is positive, or can be applicable only when the Basket Return is negative, or in both cases, as specified in the Final Terms.

Currency Component – Underlying Asset

Where "Currency Component – Underlying Asset" has been specified as applicable in the relevant Final Terms, each Asset Return for one or more Basket Components specified in the Final Terms (which is determined in accordance with any of the preceding paragraphs of this Condition 5 (*Interest and Yield*) will also be multiplied by the applicable Translation Rate for the purpose of determining the Interest Amount payable on the relevant Interest Payment Date(s).

6. **Settlement**

(a) ***Cash Settlement***

Unless otherwise specified in these Conditions and the relevant Final Terms, each Holder shall, upon exercise, be entitled to have their Instruments redeemed at their Settlement Amount on the Settlement Date specified in the Final Terms. The Settlement Amount will be rounded down to the nearest minimum unit of the Specified Currency, with all Instruments being exercised at the same time by the same Holder being aggregated for the purposes of determining the aggregate Settlement Amount payable in respect of such Instruments. If, on the Settlement Date, the Settlement Amount in respect of any Instrument is greater than zero, the Instrument shall be deemed to be automatically exercised on the Settlement Date. Instruments which are not deemed to be automatically exercised shall be void and no amounts shall be payable in respect thereof. The Settlement Amount will be determined as follows, subject always to the other provisions of this Condition 6 (*Settlement*), if applicable.

If a Settlement Amount Cap is Specified in the relevant Final Terms, the Settlement Amount shall be the lower of the amount determined in accordance with the following provisions of this Condition 6(a) (*Cash Settlement*) and the Settlement Amount Cap. If a Settlement Amount Floor is specified in the relevant Final Terms, the Settlement Amount shall be the higher of the amount determined in accordance with the following provisions of this Condition 6(a) (*Cash Settlement*) and the Settlement Amount Floor. If both a Settlement Amount Cap and a Settlement Amount Floor are specified in the relevant Final Terms, the Settlement Amount will be the lesser of: (i) the Settlement Amount Cap and (ii) the greater of (x) the amount calculated in accordance with the following provisions of this Condition 6(a) (*Cash Settlement*) and (y) the Settlement Amount Floor.

(i) *Call Warrant or Call Market Warrant:* If "Call Warrant" or "Call Market Warrant" is specified in the relevant Final Terms, then if the Closing Price is greater than the Strike Price, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Strike Price from the Closing Price, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate.

If an Early Expiration Event has not occurred and the Closing Price is not greater than the Strike Price, the Settlement Amount will be zero.

(ii) *Put Warrant or Put Market Warrant:* If "Put Warrant" or "Put Market Warrant" is specified in the relevant Final Terms, then if the Closing Price is lower than the Strike Price, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Closing Price from the Strike Price, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate.

If an Early Expiration Event has not occurred and the Closing Price is not lower than the Strike Price, the Settlement Amount will be zero.

(iii) *Long Market Warrant:* if "Long Market Warrant" is specified in the relevant Final Terms, then if the Closing Price is greater than the Initial Price, the Settlement Amount will be equal to the sum of:

(x) the Underlying Amount, and

(y) the amount calculated by:

(A) dividing the Closing Price by the Initial Price and subtracting the Strike Price, and

(B) multiplying the result of (A) by the Multiplier, the Participation Rate, the Underlying Amount and, if applicable, the Translation Rate.

If the Closing Price is not greater than the Initial Price the Settlement Amount will be zero.

(iv) *Short Market Warrant:* if "Short Market Warrant" is specified in the relevant Final Terms, then if the Closing Price is lower than the Initial Price, the Settlement Amount will be equal to the sum of:

(x) the Underlying Amount, and

(y) the amount calculated by:

(A) subtracting from the Strike Price the amount obtained by dividing the Closing Price by the Initial Price; and

(B) multiplying the result of (A) by the Multiplier, the Participation Rate, the Underlying Amount and, if applicable, the Translation Rate.

If the Closing Price is not lower than the Initial Price the Settlement Amount will be zero.

(v) *Turbo Call Warrant:* if "Turbo Call Warrant" is specified in the relevant Final Terms, then if an Early Expiration Event has not occurred and the Closing Price is greater than the Strike Price, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Strike Price from the Closing Price, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate.

If an Early Expiration Event has not occurred and the Closing Price is not greater than the Strike Price, the Settlement Amount will be zero.

If an Early Expiration Event has occurred, the Settlement Amount will be zero.

If an Early Expiration Event has occurred, the Closing Price may be determined in accordance with Condition 6(d) (*Early Expiration Event*), if specified as applicable in the relevant Final Terms.

(vi) *Turbo Put Warrant:* if "Turbo Put Warrant" is specified in the relevant Final Terms, then if an Early Expiration Event has not occurred and the Closing Price is lower than the Strike Price, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Closing Price from the Strike Price, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate.

If an Early Expiration Event has not occurred and the Closing Price is not lower than the Strike Price, the Settlement Amount will be zero.

If an Early Expiration Event has occurred, the Settlement Amount will be zero.

If an Early Expiration Event has occurred, the Closing Price may be determined in accordance with Condition 6(d) (*Early Expiration Event*), if specified as applicable in the relevant Final Terms.

(vii) *Mini Future Long or Unlimited Turbo Long:* if "Mini Future Long" or "Unlimited Turbo Long", respectively, is specified in the relevant Final Terms, then if a Stop Loss Event has not occurred and the Closing Price is greater than the Financing Level, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Financing Level from the Closing Price, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate.

If a Stop Loss Event has not occurred and the Closing Price is not greater than the Financing Level, the Settlement Amount will be zero.

If a Stop Loss Event has occurred then:

(i) in the case of an Unlimited Turbo Long, the Settlement Amount will be equal to zero;

(ii) in the case of a Mini Future Long, and where the Closing Price is greater than the Financing Level, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Financing Level from the Closing Price, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate; and

(iii) in the case of a Mini Future Long, and where the Closing Price is not greater than the Financing Level, the Settlement Amount will be zero.

If a Stop Loss Event has occurred, the Closing Price may be determined in accordance with Condition 6(i) (*Stop Loss Event*), if specified as applicable in the relevant Final Terms.

For the purposes of calculating the Financing Level, the "**Accumulated Financing**" means, on any Financing Level Calculation Date, the Financing Level on the immediately preceding Financing Level Calculation Date which is not a Disrupted Trading Day, multiplied by the product of:

(i) the sum of the Base Rate and the Base Rate Margin; and

(ii) the fraction determined in accordance with the Day Calculation Method, on the basis of a Calculation Period comprising the number of days from and including the immediately preceding Financing Level Calculation Date which is not a Disrupted Trading Day to and excluding the relevant Financing Level Calculation Date.

(viii) *Mini Future Short or Unlimited Turbo Short:* if "Mini Future Short" or "Unlimited Turbo Short", respectively is specified in the relevant Final Terms, then if a Stop Loss Event has not occurred and the Closing Price is lower than the Financing Level, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Closing Price from the Financing Level, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate.

If a Stop Loss Event has not occurred and the Closing Price is not lower than the Financing Level, the Settlement Amount will be zero.

If a Stop Loss Event has occurred then:

(i) in the case of an Unlimited Turbo Short, the Settlement Amount will be equal to zero;

(ii) in the case of a Mini Future Short, and where the Closing Price is lower than the Financing Level, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Closing Price from the Financing Level, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate; and

(iii) in the case of a Mini Future Short, and where the Closing Price is not lower than the Financing Level, the Settlement Amount will be zero.

If a Stop Loss Event has occurred, the Closing Price may be determined in accordance with Condition 6(i) (*Stop Loss Event*), if specified as applicable in the relevant Final Terms.

For the purposes of calculating the Financing Level, the "**Accumulated Financing**" means, on any Financing Level Calculation Date, the Financing Level on the immediately preceding Financing Level Calculation Date which is not a Disrupted Trading Day, multiplied by the product of:

(i) the result obtained by subtracting the Base Rate Margin from the Base Rate; and

(ii) the fraction determined in accordance with the Day Calculation Method, on the basis of a Calculation Period comprising the number of days from and including the immediately preceding Financing Level Calculation Date which is not a Disrupted Trading Day to and excluding the relevant Financing Level Calculation Date determined in accordance with the relevant Day Calculation Method.

(ix) *Bull Certificates:* if "Bull Certificate" is specified in the relevant Final Terms, the Settlement Amount will be either:

(x) the Accumulated Value on the Expiration Date, as determined by the Issuer or,

(y) if an Early Expiration Event has occurred, zero.

The "**Accumulated Value**" will be an amount in the relevant Currency calculated on each Accumulated Value Calculation Day which is not a Disrupted Trading Day falling on or after the Business Day next following the Listing Date, up to and including the Expiration Date (the "**Accumulated Value Calculation Period**"). The Accumulated Value on any Accumulated Value Calculation Day will be equal to:

(i) the sum of:

(A) the Accumulated Value on the immediately preceding Accumulated Value Calculation Day during the Accumulated Value Calculation Period or, in the case of the first Accumulated Value Calculation during the Accumulated Value Calculation Period, the Initial Accumulated Value;

(B) the Accumulated Value Change; and

(C) the Accumulated Financing,

multiplied by, if the Listing Currency differs from the Reference Currency,

(ii) the result of dividing the Translation Rate on the relevant Accumulated Value Calculation Day by the Translation Rate on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day or, in the case of the first Accumulated Value Calculation Day during the Accumulated Value Calculation Period, the Initial Translation Rate.

The "**Accumulated Value Change**" will be determined by the Issuer and will be equal to:

(i) the Accumulated Value on the immediately preceding Accumulated Value Calculation Day during the Accumulated Value Calculation Period or, in the case of the first Accumulated Value Calculation Day during the Accumulated Value Calculation Period, the Initial Accumulated Value, multiplied by,

(ii) the Leverage Factor, and

(iii) the Reference Price Differential.

The "**Reference Price Differential**" will be equal to:

(i) the Reference Price on the relevant Accumulated Value Calculation Day, less the Reference Price on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day, divided by

(ii) the Reference Price on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day.

The Reference Price used to determine the Reference Price Differential on the initial day of the Accumulated Value Calculation Period will be the Reference Price on the Scheduled Trading Day immediately preceding the Listing Date and the Reference Price on the Listing Date. The Reference Price on the final day of the Accumulated Value Calculation Period will be the Closing Price. If Condition 6(i) (*Stop Loss Event*) is specified as "Applicable" in the relevant Final Terms and a Stop Loss Event has occurred, the Accumulated Value Calculation Period will end and each of the Reference Price and Closing Price may be determined in accordance with Condition 6(i) (*Stop Loss Event*).

If "FX Underlying" is specified as applicable in the relevant Final Terms, the "**Accumulated Financing**" means, on any Accumulated Value Calculation Day, the Accumulated Value on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day, multiplied by:

(i) the result obtained by:

(A) subtracting the Base Rate Margin and the Administration Fee from the product of Base Rate 1 and the result obtained by subtracting the Leverage Factor from 1 (provided that, if a Leverage Factor is not applicable to the Accumulated Financing, it will be deemed to be zero); and

(B) adding the product of the Leverage Factor, Base Rate 2 and the Reference Price Delta to the result of (A); and

(ii) the fraction determined in accordance with the Day Calculation Method, on the basis of a Calculation Period comprising the number of days from and including the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day to and excluding the relevant Accumulated Value Calculation Day.

The "**Reference Price Delta**" will be equal to:

(i) the Reference Price on the relevant Accumulated Value Calculation Day, divided by

(ii) the Reference Price on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day.

The Reference Prices used to determine the Reference Price Delta on the initial day of the Accumulated Value Calculation Period will be the Reference Price on the Scheduled Trading Day immediately preceding the Listing Date and the Reference Price on the Listing Date. The Reference Price on the final day of the Accumulated Value Calculation Period will be the Closing Price. If Condition 6(i) (*Stop Loss Event*) is specified as "Applicable" in the relevant Final Terms and a Stop Loss Event has occurred, the Accumulated Value Calculation Period will end and each of the Reference Price and the Closing Price may be determined in accordance with Condition 6(i) (*Stop Loss Event*).

If "FX Underlying" is not specified as applicable in the relevant Final Terms, the "**Accumulated Financing**" means, on any Accumulated Value Calculation Day, the Accumulated Value on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day, multiplied by the product of:

(i) the result obtained by subtracting:

(A) the Base Rate Margin and the Administration Fee from

(B) the product of the Base Rate and the result obtained by subtracting the Leverage Factor from 1 (**provided that**, if a Leverage Factor is not applicable to the Accumulated Financing, it will be deemed to be zero), and

(ii) the fraction determined in accordance with the Day Calculation Method, on the basis of a Calculation Period comprising the number of days from and including the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day to and excluding the relevant Accumulated Value Calculation Day.

(x) *Bear Certificates*: if "Bear Certificate" is specified in the relevant Final Terms, the Settlement Amount will be either:

(x) the Accumulated Value on the Expiration Date, as determined by the Issuer or,

(y) if an Early Expiration Event has occurred, zero.

The "**Accumulated Value**" will be an amount in the relevant Currency calculated on each Accumulated Value Calculation Day which is not a Disrupted Trading Day falling on or after the Business Day next following the Listing Date, up to and including the Expiration Date (the "**Accumulated Value Calculation Period**"). The Accumulated Value on any Accumulated Value Calculation Day will be equal to:

(i) the sum of:

(A) the Accumulated Value on the immediately preceding Accumulated Value Calculation Day during the Accumulated Value Calculation Period or, in the case of the first Accumulated Value Calculation Day during the Accumulated Value Calculation Period, the Initial Accumulated Value;

(B) the Accumulated Value Change; and

(C) the Accumulated Financing,

multiplied by, if the Listing Currency differs from the Reference Currency,

(ii) the result of dividing the Translation Rate on the relevant Accumulated Value Calculation Day by the Translation Rate on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day or, in the case of the first Accumulated Value Calculation Day during the Accumulated Value Calculation Period, the Initial Translation Rate.

The "**Accumulated Value Change**" will be determined by the Issuer and will be equal to:

(i) the Accumulated Value on the immediately preceding Accumulated Value Calculation Day during the Accumulated Value Calculation Period or, in the case of the first Accumulated Value Calculation Day during the Accumulated Value Calculation Period, the Initial Accumulated Value, multiplied by,

(ii) the Leverage Factor (which may be negative), and

(iii) the Reference Price Differential.

The "**Reference Price Differential**" will be equal to:

(i) the Reference Price on the relevant Accumulated Value Calculation Day, less the Reference Price on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day, divided by

(ii) the Reference Price on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day.

The Reference Prices used to determine the Reference Price Differential on the initial day of the Accumulated Value Calculation Period will be the Reference Price on the Scheduled Trading Day immediately preceding the Listing Date and the Reference Price on the Listing Date. The Reference Price on the final day of the Accumulated Value Calculation Period will be the Closing Price. If Condition 6(i) (*Stop Loss Event*) is specified as "Applicable" in the relevant Final Terms and a Stop Loss Event has occurred, the Accumulated Value Calculation Period will end and each of the Reference Price and Closing Price may be determined in accordance with Condition 6(i) (*Stop Loss Event*).

If "FX Underlying" is specified as applicable in the relevant Final Terms, the "**Accumulated Financing**" means, on any Accumulated Value Calculation Day, the Accumulated Value on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day, multiplied by:

(i) the result obtained by adding the product of:

(A) the Reference Price Delta less the Administration Fee; and

(B) Reference Price Delta less the Base Rate Margin; and

(C) the Leverage Factor multiplied by Base Rate 2,

to the product of Base Rate 1 and the result obtained by subtracting the Leverage Factor from 1 (**provided that**, if a Leverage Factor is not applicable to the Accumulated Financing, it will be deemed to be zero), and

(ii) the fraction determined in accordance with the Day Calculation Method, on the basis of a Calculation Period comprising the number of days from and including the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day to and excluding the relevant Accumulated Value Calculation Day.

The "**Reference Price Delta**" will be equal to:

(i) the Reference Price on the relevant Accumulated Value Calculation Day, divided by

(ii) the Reference Price on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day.

The Reference Prices used to determine the Reference Price Delta on the initial day of the Accumulated Value Calculation Period will be the Reference Price on the Scheduled Trading Day immediately preceding the Listing Date and the Reference Price on the

Listing Date. The Reference Price on the final day of the Accumulated Value Calculation Period will be the Closing Price. If Condition 6(i) (*Stop Loss Event*) is specified as "Applicable" in the relevant Final Terms and a Stop Loss Event has occurred, the Accumulated Value Calculation Period will end and each of the Reference Price and the Closing Price may be determined in accordance with Condition 6(i) (*Stop Loss Event*).

If "FX Underlying" is not specified as applicable in the relevant Final Terms, the "**Accumulated Financing**" means, on any Accumulated Value Calculation Day, the Accumulated Value on the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day, multiplied by the product of:

(i) the result obtained by subtracting:

(A) the Base Rate Margin and the Administration Fee from

(B) the product of the Base Rate and the result obtained by subtracting the Leverage Factor from 1 (**provided that**, if a Leverage Factor is not applicable to the Accumulated Financing, it will be deemed to be zero), and

(ii) the fraction determined in accordance with the Day Calculation Method, on the basis of a Calculation Period comprising the number of days from and including the immediately preceding Accumulated Value Calculation Day which is not a Disrupted Trading Day to and excluding the relevant Accumulated Value Calculation Day.

(xi) *Max Certificate:* If the Closing Price is greater than the Max Level, the Settlement Amount will be equal to the Multiplier, multiplied by the Max Level and multiplied by the Translation Rate, if applicable. If the Closing Price is not greater than the Max Level, the Settlement Amount will be equal to the Multiplier multiplied by the Closing Price and multiplied by the Translation Rate, if applicable.

(xii) *Mini Future Basket Long* if "Mini Future Basket Long" is specified in the relevant Final Terms, then if a Stop Loss Event has not occurred and the Basket Value is greater than the Financing Level, the Settlement Amount will be equal to:

(A) the result obtained by subtracting the Financing Level from the Basket Value, multiplied by

(B) the Multiplier and, if applicable, the Translation Rate.

If a Stop Loss Event has not occurred and the Basket Value is not greater than the Financing Level, the Settlement Amount will be zero.

If a Stop Loss Event has occurred then:

(A) where the Basket Value is greater than the Financing Level, the Settlement Amount will be equal to:

(x) the result obtained by subtracting the Financing Level from the Basket Value, multiplied by

(y) the Multiplier and, if applicable, the Translation Rate; and

(B) where the Basket Value is not greater than the Financing Level, the Settlement Amount will be zero.

If a Stop Loss Event has occurred, the Basket Value may be determined in accordance with Condition 6(i) (*Stop Loss Event*), if specified as applicable in the relevant Final Terms.

For the purposes of calculating the Financing Level, the "**Accumulated Financing**" means, on any Financing Level Calculation Date, the Financing Level on the immediately preceding Financing Level Calculation Date which is not a Disrupted Trading Day, multiplied by the product of:

(i) the sum of the Base Rate and the Base Rate Margin; and

(ii) the fraction determined in accordance with the Day Calculation Method, on the basis of a Calculation Period comprising the number of days from and including the immediately preceding Financing Level Calculation Date which is not a Disrupted Trading Day to and excluding the relevant Financing Level Calculation Date.

(b) ***Application for Redemption***

If "Application for Redemption" is specified as applicable in the relevant Final Terms, the holder of the Instruments may require the Issuer to redeem the Instruments on any Redemption Date specified in the relevant Final Terms. In order to be effective, the Holder's application for redemption must be received by the Issuer by no later than the Number of Redemption Business Days prior to the relevant Redemption Date. Not later than 10 Business Days after the relevant Redemption Date or, in the case of Registered Instruments, on the Redemption Date, the Issuer will pay the Holder an amount equal to the relevant Redemption Price less any applicable Redemption Fee. The Redemption Price will be calculated in the same manner as the Settlement Amount, save that the Closing Price Determination Date will be the date falling the Number of Redemption Business Days prior to the Redemption Date.

(c) ***Expiration Event upon Material Price Movement***

If "Material Price Movement" is specified in the relevant Final Terms, where, in the Issuer’s opinion, the value of an Underlying Asset has at any time during the term of the Instrument declined by an amount equal to or greater than the Material Price Percentage on a single individual trading day, such a day shall be an Expiration Date.

(d) ***Early Expiration Event***

If this Condition 6(d) (*Early Expiration Event*) is specified as applicable in the relevant Final Terms, then if an Early Expiration Event has occurred, the Issuer shall be entitled to redeem the Instruments early and determine the Closing Price. The Closing Price will not be lower than the lowest (in respect of Call Warrants, Call Market Warrants, Long Market Warrants, Turbo Call Warrants, Mini Futures Long, Unlimited Turbos Long or Bull Certificates) or higher than the highest (in respect of Put Warrants, Put Market Warrants, Short Market Warrants, Turbo Put Warrants Unlimited Turbos Short or Bear Certificates) price for the relevant Underlying Asset(s) listed on a Reference Source which can be determined during the Number of Trading Hours which follow immediately after such Early Expiration Event has occurred.

In the event that fewer than the Number of Trading Hours remains until the official closing of the Reference Source on the day an Early Expiration Event occurs and/or a Market Disruption occurs, the period for calculation of the Closing Price shall continue on the next Scheduled Trading Day (which is not a Disrupted Trading Day), until the Number of Trading Hours after the Early Expiration Event have been observed by the Issuer.

If, after an Early Expiration Event has occurred, there is no Scheduled Trading Day which is not a Disrupted Trading Day and/or if a Market Disruption continues for more than five calendar days after an Early Expiration Event, the Issuer shall determine the Closing Price in a commercially reasonable manner.

In any such case, the Issuer may adjust the Settlement Date as it considers appropriate in order to reflect the occurrence of the Early Expiration Event, and (if applicable), any delay in determining the Closing Price.

(e) ***Purchase of Instruments***

The Issuer and its subsidiaries may at any time purchase Instruments in the open market or otherwise and at any price. Such Instruments may be cancelled, retained, re-sold or otherwise disposed of.

(f) ***Procedure for Payment upon Settlement or Redemption***

Any redemption of the VP Instruments, VPS Instruments, Swedish Instruments or Finnish Instruments pursuant to this Condition 6 (*Settlement*) shall be in accordance with, in the case of VP Instruments, the VP Rules, in the case of VPS Instruments, the VPS Rules, in the case of Swedish Instruments, the Euroclear Sweden Rules and in the case of Finnish Instruments, the Euroclear Finland Rules.

(g) ***Costs and Expenses***

The holder of the Instruments shall pay any and all costs, fees and taxes that may become payable in connection with transfers, holding or automatic redemption of Instruments.

(h) ***Expiration Date for Open Ended Instruments***

Where the Final Terms states that the relevant Instrument is open-ended or otherwise lacks a predetermined Expiration Date, or where "Expiration Date Determination" is specified as applicable in the Final Terms, the Issuer may determine an Expiration Date not earlier than one (1) week after the Issue Date. Such date may occur not earlier than the Number of Expiration Date Business Days after notice regarding determination of an Expiration Date in accordance with Condition 19 (*Notices*).

(i) ***Stop Loss Event***

If this Condition 6(i) is specified as applicable in the relevant Final Terms, then if a Stop Loss Event has occurred, the Issuer shall be entitled to redeem the Instruments early and determine the Closing Price or other Reference Price (as applicable). The Closing Price or Reference Price will not be lower than the lowest (in respect of Call Warrants, Call Market Warrants, Long Market Warrants, Turbo Call Warrants, Mini Futures Long, Unlimited Turbos Long or Bull Certificates) or higher than the highest, (in respect of Put Warrants, Put Market Warrants, Short Market Warrants, Turbo Put Warrants, Mini Futures Short, Unlimited Turbos Short or Bear Certificates) price for the relevant Underlying Asset(s) listed on a Reference Source which can be determined during the Number of Trading Hours which follow immediately after such Stop Loss Event has occurred.

In the event that fewer than the Number of Trading Hours remains until the official closing of the Reference Source on the day a Stop Loss Event occurs, and/or a Market Disruption occurs, the period for calculation of the Closing Price or Reference Price shall continue on the next Scheduled Trading Day (which is not a Disrupted Trading Day), until the Number of Trading Hours after the Stop Loss Event have been observed by the Issuer.

If, after a Stop Loss Event has occurred, there is no Scheduled Trading Day which is not a Disrupted Trading Day and/or if a Market Disruption continues for more than five calendar days after a Stop Loss Event, the Issuer shall determine the Closing Price or Reference Price in a commercially reasonable manner.

In any such case, the Issuer may adjust the Settlement Date as it considers appropriate in order to reflect the occurrence of the Stop Loss Event, and (if applicable), any delay in determining the Closing Price or Reference Price.

(j) ***Nordnet Termination Event***

If this Condition 6(j) (*Nordnet Termination Event*) is specified as applicable in the relevant Final Terms, then if a Nordnet Termination Event has occurred, the Issuer shall be entitled to redeem the Instruments early and determine the Expiration Date in accordance with Condition 6(h) (*Expiration Date for Open Ended Instruments*).

7. **Taxation**

An Instrumentholder subscribing for, purchasing or exercising an Instrument shall pay all Taxes and securities transfer taxes and any other charges, if any, payable in connection with the subscription, purchase or exercise of such Instrument and the delivery of the Settlement Amount as a result of such exercise. The Issuer shall have the right, but not the duty (unless required by law), to withhold or deduct from any amounts otherwise payable to an Instrumentholder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with the next sentence. The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Instrument. The Issuer shall be permitted to withhold and deduct for or on account of any taxes imposed pursuant to sections 871(m) or 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service, on any amount payable in respect of the Instruments and shall not be required to pay any additional amounts in respect of any such taxes.

8. **Payments**

(a) ***Payments — Registered Instruments***

(i) This Condition 8(a) (*Payments – Registered Instruments*) is applicable in relation to Registered Instruments.

(ii) Payments of amounts (including accrued interest) due on the settlement or redemption of Registered Instruments will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Registered Instruments as the specified office of the Registrar. If the due date for payment of the final settlement or redemption amount of Registered Instruments is not a Business Day, the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Conditions.

(iii) Payment of amounts due (other than in respect of the final settlement or redemption of Registered Instruments) in respect of Registered Instruments will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (London time) on the fifteenth London Banking Day before the due date for such payment (the "**Record Date**").

(iv) Notwithstanding the provisions of Condition 8(g)(ii) (*Default Interest*), payments of interest or yield due (other than in respect of the final settlement or redemption of Registered Instruments) in respect of Registered Instruments will be made by a cheque drawn on a bank in the Relevant Financial Centre and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof, (or, in the case of joint Holders, the first-named) on the Business Day immediately preceding the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such applications for payment to be made to a designated account (in the case aforesaid, a non-resident account with an authorised foreign exchange bank).

(b) ***Payments — VP Instruments***

Payments in respect of the VP Instruments shall be made to the Holders as appearing registered in the register kept by the VP as such on the third business day (as defined by the then applicable VP Rules) before the due date for such payment, such day being a Danish Business Day, or such other business day falling closer to the due date as then may be stipulated in VP Rules and will be made in accordance with said VP Rules. Such day shall be the "**Record Date**" in respect of the VP Instruments in accordance with VP Rules.

(c) ***Payments — VPS Instruments***

Payments in respect of the VPS Instruments shall be made to the Holders registered in the VPS System as defined by the applicable VPS Rule) as shown in the relevant records of the VPS before the due date for such payment, or such other business day falling closer to the due date as then may be stipulated in the VPS Rules and will be made in accordance with said VPS Rules. Such day shall be the "**Record Date**" in respect of the VPS Instruments in accordance with the VPS Rules. *As of the date of this Prospectus the default VPS record date for the Redemption Amount or Settlement Amount is two business days prior to the relevant payment date. Record dates for interest or yield payments are fifteen business days prior to the relevant payment day.*

(d) ***Payments — Swedish Instruments***

Payments in respect of the Swedish Instruments shall be made to the Holders as appearing registered in the register kept by Euroclear Sweden as such on the fourth business day (as defined by the then applicable Euroclear Sweden Rules) before the due date for such payment, such day being a Stockholm Business Day, or such date as then may be stipulated in Euroclear Sweden Rules and will be made in accordance with said Euroclear Sweden Rules. Such day shall be the "**Record Date**" in respect of the Swedish Instruments in accordance with Euroclear Sweden Rules.

(e) ***Payments — Finnish Instruments***

Payments in respect of the Finnish Instruments shall be made to the Holders as appearing registered in the register kept by Euroclear Finland as such on the record date for such payment determined in accordance with Euroclear Finland's Rules. Such day shall be the "**Record Date**" in respect of the Finnish Instruments in accordance with the Euroclear Finland Rules.

(f) ***Payments — General Provisions***

(i) Payments of amounts due in respect of Instruments denominated in a currency other than euro will be made by cheque drawn on, or by transfer to, an account maintained by the payee with, a bank in the relevant financial centre and in respect of an Instrument denominated in euro by cheque drawn on, or by transfer to, an euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Union. Payments will be subject in all cases to any applicable fiscal or other laws and regulations.

(ii) In the event that the applicable Clearing System is prevented from making any payment in accordance with the above provisions due to a delay in performance by the Issuer or for any other reason, the applicable Clearing System will make such payment to each person that is registered as a Holder on the relevant Record Date as soon as payment is received from the Issuer or the reason for delay has ceased.

(iii) If the Issuer is prevented from making payments to the Holders through the applicable Clearing System because the applicable Clearing System is affected by an event or circumstance set out in the first paragraph of Condition 25 (*Limitation of liability etc.*), then the Issuer shall be entitled to defer payment until such time as the event or circumstance affecting the applicable Clearing System has ceased.

(iv) If a person or entity to whom payment was made in accordance with the above provisions was not entitled to receive such payment, the Issuer and the applicable Clearing System shall nevertheless be deemed to have discharged their respective payment obligations, unless the Issuer or the applicable Clearing System had knowledge that payment was made to a person or entity that was not entitled to receive the payment or if the Issuer or the applicable Clearing System did not act with due care.

(v) All payments in respect of the Instruments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. In the event that the Issuer (or any agent acting on its behalf) is prohibited from making any payment on account of any applicable law or regulation, the Issuer shall have no liability to Instrumentholders in respect of any delay or failure in making such payment to holders.

(g) ***Default Interest***

(i) Subject to paragraph (ii) below, in the event of any default in payment, default interest shall be payable on the due and unpaid amount from its due date up to and including the day on which payment is made at an interest rate equal to the Base Rate (as specified in the Final Terms) for a period of one week, plus two per cent. The Base Rate shall thereupon be determined by the Issuer on the first Business Day of each calendar week during the period of default. Notwithstanding the aforesaid, the default interest rate on interest bearing Instruments shall not (except in circumstances set out in paragraph (ii) below) be lower than the rate which applied to the relevant Instruments on the relevant due date plus two per cent. Default interest shall not be capitalised.

(ii) If any default in payment under the Instruments is due to any event or circumstance affecting the Issuer or the relevant Clearing System as referred to in the first paragraph of Condition 25 (*Limitation of liability etc.*) the default interest rate shall, with respect to interest bearing Instruments, not exceed the Interest Rate which applied to the relevant Instruments on the relevant due date (without the addition of two per cent in accordance with the preceding paragraph) and, with respect to non-interest bearing on non-yield bearing Instruments, no default interest shall accrue or be payable.

9. **Special Terms and Market Disruption Provisions**

(a) ***Market Disruption***

The following provisions will apply to all Instruments, except in respect of Instruments for which the Underlying Assets consist solely of commodities, currencies or funds, or a combination of the above, unless "Market Disruption" is specified as not being applicable in the Final Terms.

Market Disruption with respect to an Underlying Asset exists where, in the Issuer's opinion, any of the following events occurs:

(i) the quotation of official closing prices for an Underlying Asset or a significant part of the underlying assets included in the Underlying Asset does not exist, is unavailable or ceases;

(ii) where appropriate, a compilation and/ or publication of the value of an Underlying Asset ceases or is temporarily suspended;

(iii) any Reference Source or Related Derivatives Market is not open for trading during its normal trading hours or it closes for trading before the ordinary closing time;

(iv) trading in an Underlying Asset or a significant part of the underlying assets included in an Underlying Asset or options or futures contracts related to an Underlying Asset, which is/are traded on a Reference Source ceases, is suspended or significantly restricted;

(v) the possibilities for parties on the market to carry out trades in or obtain the market value for an Underlying Asset or a significant portion of the underlying assets included in an Underlying Asset or options or futures contracts related to an Underlying Asset, which is/are traded on a Reference Source or Related Derivatives Market ceases, is discontinued, or significantly deteriorates due to any other event; or

(vi) with respect solely to instruments whose Underlying Asset is/are entirely comprised of funds or fund units, the valuation on a Valuation Date for Underlying Assets comprised of a fund or fund unit, does not take place or full payment for cash settlement with respect to such Underlying Asset does not take place on an exercise day for the relevant fund.

A limitation on the number of hours or days when trading occurs shall not be deemed to constitute a Market Disruption where the restriction is due to a published change in the normal trading hours for the Relevant Reference Source and/or Related Derivatives Market.

A restriction in trading which is introduced during the course of a day due to changes in prices which exceed permitted levels pursuant to the relevant Reference Source and/or Related Derivatives Market shall be deemed to constitute a Market Disruption.

Where, in the Issuer's opinion, a Market Disruption has occurred on a relevant Valuation Date or Observation Date, such Valuation Date or Observation Date shall, with respect to determination of the relevant value or observation, be adjusted in accordance with the Exchange Business Day Convention (for each Affected Underlying Asset on which Market Disruption does not exist); however, where Market Disruption exists on the eight Scheduled Trading Days (for each Affected Underlying Asset) that follow immediately after the original Valuation Date or Observation Date or another relevant day as stated in the Final Terms, such eighth Scheduled Trading Day (for each Affected Underlying Asset, respectively) shall be deemed the relevant Valuation Date or Observation Date or other relevant day, notwithstanding the existence of Market Disruption, and the Issuer shall thereupon determine the value for the relevant Valuation Date or Observation Date which is to be applied upon calculation of the Settlement Amount or in conjunction with another calculation in accordance with these Conditions.

The Issuer shall be entitled to make any and all additions and adjustments to the Conditions as the Issuer deems necessary in connection with Market Disruption.

(b) ***Commodity Disruption***

The following provisions will apply to all Instruments in respect of which the Underlying Assets consist of one or several commodities, or options or futures contracts related to commodities, or one or more commodity index, unless "Commodity Disruption" is specified as not being applicable in the Final Terms.

Commodity Disruption regarding any commodity which (directly or indirectly, in the Issuer's opinion) constitutes an Underlying Asset exists where, in the Issuer's opinion, any of the following events occurs:

(i) the quotation, compilation, calculation or publication of official closing prices for an Underlying Asset or the underlying assets included in the Underlying Asset does not exist, unavailable or ceases;

(ii) the quotation, compilation, calculation or publication of the value of an Underlying Asset or the value of the underlying assets included in the Underlying Asset does not exist, is unavailable or ceases;

(iii) the relevant Reference Source is not open for trading during its normal trading hours;

(iv) trading in an Underlying Asset or the underlying assets included in an Underlying Asset or options or futures contracts related to an Underlying Asset, which is/are traded on a Reference Source ceases, is suspended or significantly restricted;

(v) the possibilities for parties on the market to carry out trades in or obtain the market value for an Underlying Asset or a significant portion of the underlying assets included in an Underlying Asset or options or futures contracts related to an Underlying Asset, which is/are traded on a Reference Source ceases, is discontinued or significantly deteriorates due to any other event;

(vi) the manner of calculating an Underlying Asset or the underlying assets included in the Underlying Asset or the value thereof changes significantly;

(vii) the content, compilation or structure of an Underlying Asset or the underlying assets included in an Underlying Asset or relevant options or futures contract changes significantly; or

(viii) the introduction, change or repeal of tax provisions with respect to an Underlying Asset or tax provisions regarding tax calculated by way of reference to the underlying assets included in an Underlying Asset (however, not tax on, or which is calculated by reference to, gross or net income) after the Issue Date, as a consequence of which the Closing Price on any relevant date changes as compared to what it would have been had the tax provisions not been introduced, changed or repealed.

Where, in the Issuer's opinion, a Commodity Disruption has occurred on a relevant Valuation Date or Observation Date, such Valuation Date or Observation Date shall, with respect to determination of the relevant value or observation, be adjusted in accordance with the Exchange Business Day Convention (for each Affected Underlying Asset and/or Basket Component, respectively) on which Commodity Disruption does not exist; however, where Commodity Disruption exists on the eight Scheduled Trading Days (for each Affected Underlying Asset) that follow immediately after the original Valuation Date or Observation Date or another relevant day as stated in the Final Terms, such eighth Scheduled Trading Day (for each Affected Underlying Asset, respectively) shall be deemed the relevant Valuation Date or Observation Date or other relevant day, notwithstanding the existence of Commodity Disruption, and the Issuer shall thereupon determine the value of the Valuation Date or Observation Date which is to be applied upon calculation of the Settlement Amount or in conjunction with another calculation in accordance with these Conditions.

Where the Issuer believes that it is not possible, or would not provide a fair result, to determine or replace the value of the Affected Underlying Asset at the time of such Commodity Disruption, the Issuer may perform an early calculation of the Settlement Amount and/or the Yield Amount or Interest Amount and determine the Settlement Amount and/or the Yield Amount or Interest Amount. Where the Issuer has determined the Settlement Amount and/or the Yield Amount or Interest Amount, the Issuer shall notify the Holders regarding the Settlement Amount and/or the Yield Amount or Interest Amount. The Issuer may pay market interest on the Settlement Amount (which may be zero). The Settlement Amount (including accrued interest, if any) shall be paid on the Settlement Date.

The Issuer shall be entitled to make any and all additions and adjustments to the Conditions as the Issuer deems necessary in connection with Commodity Disruption.

(c) ***Currency Disruption***

The following provisions will apply to all Instruments in respect of which the Underlying Assets consist of one or more currencies, including where a Translation Rate is applicable, unless "Currency Disruption" is specified as not being applicable in the Final Terms.

Disruption regarding an exchange rate (including exchange rates which, directly or indirectly, in the Issuer's assessment constitutes an Underlying Asset) exists where, in the Issuer's opinion, any of the following events occurs:

(i) if spot or futures prices are not available for the exchange rate or the underlying assets included in the exchange rate;

(ii) calculation or publication of any closing price/exchange rate/currency price on a specified reference source for an exchange rate or the underlying assets included in the exchange rate does not exist, is unavailable or ceases to be published on the specified reference source;

(iii) a material price deviation occurs between the price of various currencies, exchange rates and/or currency prices;

(iv) a quotation of spot and/or futures prices cannot be obtained on a stated Minimum Amount in one or a reasonable number of currency transactions which together amount to a predetermined minimum sum; or

(v) the introduction of any currency exchange regulations or currency exchange restrictions which affect the ability to exchange a currency which constitutes an exchange rate into another currency and/or to transfer the relevant currency from the relevant jurisdiction.

Where, in the opinion of the Issuer, Currency Disruption has occurred on a relevant Valuation Date or Observation Date, the Issuer shall determine the relevant value based on all available information which the Issuer believes to be relevant in conjunction with calculation of the Settlement Amount, yield or any other relevant value.

The Issuer shall be entitled to make any and all additions and adjustments to the Conditions as the Issuer deems necessary in connection with Currency Disruption.

(d) ***Fund Event***

The following provisions will apply to all Instruments in respect of which the Underlying Assets consist of one or many funds or fund entities, unless "Fund Event" is specified as not being applicable in the Final Terms.

The Issuer shall be entitled to determine and assess that a Fund Event exists where any of the following events occur after the Issue Date:

(i) the Net Asset Value ("**NAV**") with respect to the Fund is not calculated and published for the Fund on the same day and in the same manner as stated in the Fund rules and in the terms and conditions governing the activities of the Fund and the Management Company;

(ii) any change is made in the characteristics of the Fund or the fund units which, in the Issuer's opinion, may detrimentally affect the value of the fund units;

(iii) the Fund or the Management Company (wholly or in part) does not consent to subscription for, or redemption of, fund units in respect of the Fund on a day when, in accordance with the Fund rules and the terms and conditions governing the activities of the Fund, such subscription and redemption shall be possible;

(iv) the funds paid out by the Fund as a consequence of a request for redemption do not consist of cash;

(v) the Fund or Management Company introduces restrictions or new, changed fees in respect of subscription for, or redemption of, fund units, or any tax or charge is introduced following the Issue Date in connection with subscription for, or redemption of, fund units;

(vi) a material change occurs in the underlying assets in the Fund, including expropriation or similar events, as a consequence of which the assets are transferred to, or taken over by, a public authority or similar body or organisation, which has a negative impact on the value of the fund units;

(vii) the Fund or Management Company becomes insolvent, proceedings are commenced for the Fund or the Management Company to be placed into bankruptcy, the Fund or the Management Company decides upon, or is placed into, liquidation, commences company reorganisation proceedings, commences composition proceedings, or is the subject of any similar event;

(viii) the Fund or the Management Company are merged or become the object of a sale, in whole or in part;

(ix) the Fund violates the provisions governing the Fund's operations, including its investment guidelines and the Fund's statutes;

(x) the Fund or the Management Company carries out changes in the provisions in respect of the Fund or the activities of the Fund, such as changes in the Fund's risk profile, changes in the voting rights of fund units, changes in the investment guidelines for the Fund, changes in the currency in which the fund units are denominated, or such other changes as the Issuer deems material;

(xi) the Fund breaches any agreement by which it is bound or any decision issued by a court of law or other public authority;

(xii) a change in any law, ordinance or other regulations (including tax legislation and accounting rules), or decision of a public authority, court of law or other body, has a negative impact on the Fund or the Management Company or the Issuer's possibilities to invest in, or redeem, Underlying Assets;

(xiii) the Fund, Management Company, administrator, depositary, or board of directors becomes the object of an investigation, proceedings, or equivalent by public authorities or any other body relating to the violation of relevant legislation or other rules applicable to the Fund, Management Company, administrator, depositary, or board of directors, or any permit or authorisation for any of them to conduct relevant activities is revoked;

(xiv) the Management Company, administrator, depositary, or board of directors is replaced;

(xv) the Underlying Asset is converted to another fund unit;

(xvi) the Underlying Asset is the subject of compulsory redemption or forced sale;

(xvii) the Fund lacks the possibility to carry out investments;

(xviii) a change occurs with respect to any of the Fund's derivative instruments which detrimentally affects the value of its fund units or the Fund's possibility to allow redemption thereof;

(xix) the Fund, Management Company, or administrator of the Fund fail to provide such information within such time frame as any of them have undertaken to provide to one or more investors; or

(xx) any event which, in the Issuer's opinion, has a negative impact on the application of the Conditions.

Where a Fund Event occurs with respect to one or more Funds which constitute an Underlying Asset, the Issuer shall be entitled to make such adjustments in the calculation of the Settlement Amount or any other relevant amount and/or the composition of an Underlying Asset, or to replace an Affected Underlying Asset with a Replacement Underlying Asset, which the Issuer thereby deems necessary in order to achieve a calculation of the relevant amount which reflects, and is based on, the manner in which it was previously calculated.

Where the Issuer believes that it is not possible or would not provide a fair result to determine or replace the value of the Affected Underlying Asset at the time of such Fund Event the Issuer may perform an early calculation of the Settlement Amount and/or the Yield Amount or Interest Amount and determine the Settlement Amount and/or the Yield Amount or Interest Amount Where the Issuer has determined the Settlement Amount and/or the Yield Amount or Interest Amount, the Issuer shall notify the Holders regarding the Settlement Amount and/or the Yield Amount or Interest Amount. The Issuer may pay market interest on the Settlement Amount. The Settlement Amount (including accrued interest, if any) shall be paid on the Settlement Date.

The Issuer shall be entitled to make any and all additions and adjustments to the Terms and Conditions as the Issuer deems necessary in connection with Fund Events.

(e) ***Specific Early Redemption***

If "Specific Early Redemption" is specified as applicable in the Final Terms, the Issuer will have the right to calculate the Settlement Amount early and redeem Instruments before their scheduled maturity if (in the Issuer's sole discretion) the theoretical price is such that it is not possible (not only temporarily) to quote bid and ask prices in an appropriate way, for example (without limitation) because the theoretical price of such Instruments is too low in relation to the lowest so called "tick-size" and that the difference between the ask and bid price may therefore become too high in relation to the theoretical price of the Instruments.

Upon a Specific Early Redemption, the Settlement Amount shall be calculated as of the Specific Early Redemption Date on the basis that the Specific Early Redemption Date shall be treated as the Closing Price Determination Date.

The Issuer shall notify the Holder of Instruments of the Specific Early Redemption no later than 10 Business Days before the Specific Early Redemption Date in accordance with Condition 19 (*Notices*).

Unless the Holder of Instruments has notified the Issuer in writing in accordance with Condition 19 (*Notices*) no later than 3 Business Days before the Specific Early Redemption Date that the Holder of Instruments refuses to accept a Settlement Amount in the form of Instruments, the Issuer has a right in relation to a Specific Early Redemption to pay the Settlement Amount in the form of Instruments that bear substantially similar terms to those of the Instruments subject to the Specific Early Redemption, except for the ISIN, Strike Price and such other conditions as the Issuer may reasonably determine, together with a cash amount for any surplus amount (if any) that cannot be settled in the form of Instruments.

If the Holder of Instruments has refused to accept the Settlement Amount in form of new Instrument in accordance with the above, the Settlement Amount for Instruments that have been subject to Specific Early Redemption shall be paid in cash.

(f) ***Adjustments***

The Issuer may determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Issuer may, in its sole and absolute discretion, determine, whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Underlying Asset(s) and, if so, may make such adjustment(s) as it in its sole and absolute discretion determines to be appropriate, if any, to the notional number of Underlying Asset(s) to which each Instrument relates and to any other level, price or value, or any exercise, settlement, payment, multiplier or any other term of the relevant Instruments and determine the effective date(s) of such adjustment(s). In its determinations of the existence of any Potential Adjustment Event and extent of any diluting or concentrative effect a Potential Adjustment Event has on the theoretical value of the relevant Underlying Asset(s), and any related adjustments to the terms of each Instrument, the Issuer shall take into account all such factors as it deems necessary, including, without limitation, the implication of taxes that may be imposed by any applicable authority having power to tax in respect of such Underlying Asset(s).

(g) ***Interest Rate Fallbacks***

Where the Underlying Asset is an interest rate, and unless "Rate Option Fallback" is specified not to apply in the relevant Final Terms, then if the relevant interest rate does not appear on the applicable price source specified in the Final Terms on any relevant date, and at the relevant time, required by the Conditions, the Issuer shall determine the interest rate for the applicable date and time in accordance with the fallback provisions relating to the relevant Rate Option specified in the 2006 ISDA Definitions. If, the Issuer, acting in good faith and in a commercially reasonable manner, determines that such interest rate is not a reasonable replacement, then it shall, in its sole and absolute discretion, determine the relevant fallback rate, taking into account all available information that, in food faith, it deems relevant.

(h) ***Benchmark Cessation***

If the Issuer determines that either (i) a Benchmark Event has occurred or (ii) considers (acting in good faith and in a commercially reasonable manner) that there is a Successor Rate, in either case in respect of the relevant Base Rate, Reference Rate or other interest rate or benchmark specified in the relevant Final Terms (each an "**Affected Reference Rate**"), then the Issuer may elect to apply the following provisions:

(i) the Issuer shall use reasonable endeavours to select a Successor Rate or, alternatively, if a Benchmark Event has occurred and there is no Successor Rate, an alternative rate (the "**Alternative Benchmark Rate**") and an alternative screen page or source (the "**Alternative Relevant Screen Page**") and to determine an Adjustment Spread (if applicable) for purposes of determining future payments in respect of the Instruments. If the Issuer cannot determine a Successor Rate in circumstances where a Benchmark Event has not occurred, the original Affected Reference Rate will to continue to be used for the purposes of determining future payments in respect of the Instruments;

(ii) the Alternative Benchmark Rate shall be such rate as the Issuer acting in good faith considers has replaced the relevant original Affected Reference Rate (as applicable) in customary market usage or, if there is no such rate, such other rate as the Issuer acting in good faith agree considers to be the most comparable alternative to the original Affected

Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;

(iii) if a Successor Rate or an Alternative Benchmark Rate and Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page shall be the benchmark and the relevant screen page or price course in relation to the Instruments for all future payments and determinations in respect of the Instruments (subject to the subsequent operation of this Condition 9(h) (*Benchmark Cessation*));

(iv) if the Issuer, acting in good faith, determines that (A) an Adjustment Spread is required to be applied to the Successor Rate or Alternative Benchmark Rate and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of a relevant Interest Amount(s), Yield Amount(s) or other payment(s) in respect of the Instruments (or a component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate;

(v) if a Successor Rate or an Alternative Benchmark Rate and/or Adjustment Spread is determined in accordance with the above provisions, the Issuer may also specify changes to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or other terms applicable to the Instruments, and the method for determining the fallback rate in relation to the Instruments, in order to follow market practice in relation to the Successor Rate or Alternative Benchmark Rate and/or Adjustment Spread, which changes shall apply to the Instruments for all future payments and determinations in respect of the Instruments (subject to the subsequent operation of this Condition 9(h) (*Benchmark Cessation*) if a further Benchmark Event occurs);

(vi) the Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page and Adjustment Spread (if any) give notice thereof and of any changes pursuant to sub-paragraph (v) above to the Fiscal Agent and the Instrument holders; and

(vii) if a Benchmark Event has occurred and the Issuer determines that there is no appropriate Successor Rate or alternative rate, the Issuer may perform an early calculation of the Settlement Amount and/or the Yield Amount or Interest Amount and determine the Settlement Amount and/or the Yield Amount or Interest Amount. Where the Issuer has determined the Settlement Amount and/or the Yield Amount or Interest Amount, the Issuer shall notify the Holders regarding the Settlement Amount and/or the Yield Amount or Interest Amount. The Issuer may pay market interest on the Settlement Amount (which may be zero). The Settlement Amount (including accrued interest, if any) shall be paid on the Settlement Date.

The Issuer shall be entitled to make any and all additions and adjustments to the Conditions as the Issuer deems necessary in connections with a Benchmark Event.

(i) ***Rolling of Futures Contracts***

Where "Rolling of Futures Contracts" is specified as applicable in the relevant Final Terms, on each Roll Date during the term of the Instruments the Issuer may replace an Underlying Asset comprising a futures contract (the "**Current Futures Contract**") for the purposes of calculating the Reference Price, with a new futures contract (the "**New Futures Contract**") that will, once the Current Futures Contract expires, in the Issuer's opinion, have the shortest time left to expiration of those cash settled futures contracts listed on the Reference Source and relating to the same underlying asset as the Current Futures Contract. The Issuer shall be entitled to make such adjustments to the Reference Price and other terms of the Instrument as it considers appropriate in order to preserve the theoretical value of the Instruments in connection with such substitution of Underlying Assets, and any fees, costs and expenses incurred, or that would be incurred, in connection with amending, terminating or re-establishing any relevant Hedge Transaction.

10. **Changed calculation, correction, etc.**

(a) ***Changed calculation***

The following provisions will apply to all Instruments, unless "Changed Calculation" is specified as not being applicable in the Final Terms.

Where, in the opinion of the Issuer, the compilation, calculation or publication of any Underlying Asset ceases in whole or in part, or the characteristics of any Underlying Asset are changed significantly, the Issuer shall be entitled, upon calculation of the Settlement Amount or any other calculation, to replace such Affected Underlying Asset with a comparable alternative asset. Where, in the Issuer's opinion, a comparable alternative to such Affected Underlying Asset is not compiled, calculated and published or where, in the opinion of the Issuer, the method of calculating any Affected Underlying Asset or the value thereof is changed significantly, the Issuer shall be entitled to make such adjustments in the calculation as the Issuer, based reasonable grounds, deems necessary in order for the calculation of the value of the Affected Underlying Asset to reflect and be based on the manner in which such was previously compiled, calculated and published. The value thereby calculated shall replace the value of the Affected Underlying Asset in calculations of the relevant Settlement Amount or other amount.

Where the Issuer believes that it would not provide a fair result to replace the Affected Underlying Asset or adjust the applicable calculation, the Issuer may perform an early calculation of the Settlement Amount and/or the yield and determine the Settlement Amount and/or the yield. When the Issuer has determined the Settlement Amount and/or the yield, the Issuer shall notify the Holders of the Settlement Amount and/or the yield. The Issuer may pay market interest on the Settlement Amount (which may be zero). The Settlement Amount (including accrued interest, if any) shall be paid on the Expiration Date.

The Issuer shall be entitled to make any and all additions and adjustment to the Conditions as the Issuer deems necessary in connection with a Changed Calculation.

(b) ***Corrections*** The following provisions will apply to all Instruments, except in respect of Instruments for which the Underlying Assets consist solely of commodities or currencies, or a combination of the above, unless "Corrections" is specified as not being applicable in the Final Terms.

Where the official closing price for an Underlying Asset is corrected within the number of days from the original publication as normally elapse between a trade and settlement day in conjunction with spot trading in the Affected Underlying Asset or in the underlying assets included in the Underlying Asset, **provided that** such number of days does not exceed three Exchange Trading Days after the relevant Valuation Date or Observation Date, and such price is used to determine a relevant price, the Issuer shall be entitled to make a corresponding correction.

(c) ***Correction Commodity***

The following provisions will apply to all Instruments in respect of which the Underlying Asset(s) consist of one or several commodities, or options or futures contracts related to commodities, or one or more commodity index(es), unless "Correction Commodity" is specified as not being applicable in the Final Terms.

Where the official closing price for a commodity which (directly or indirectly in the Issuer's opinion) constitutes an Underlying Asset is corrected within 30 days of the original publication and such a price is used to determine any relevant value, the Issuer shall be entitled to make a corresponding correction.

(d) ***Correction Currency***

The following provisions will apply to all Instruments in respect of which the Underlying Asset(s) consist of one or several currencies, unless "Correction Currency" is specified as not being applicable in the Final Terms.

Where the official closing price for a currency which (including as regards exchange rates) directly or indirectly in the Issuer's opinion) constitutes an Underlying Asset is corrected and such price is used to determine a relevant value, the Issuer shall be entitled to make a corresponding correction not later than six Scheduled Trading Days after the official closing price for the Underlying Asset was published.

(e) ***Corrections to Base Rate, Margin; Redemption Price, Accumulated Value and Financing Level***

Where the Base Rate and/or Base Rate Margin is corrected or where calculation of a Financing Level, the Redemption Price or the Accumulated Value is, in the Issuer's sole discretion, incorrect, the Issuer may adjust any calculated Financing Level, Accumulated Value or Redemption Price within three Scheduled Trading Days of the original calculation. In other cases, no adjustment of the Financing Level, Accumulated Value or Redemption Price shall take place.

11. Extraordinary Events

Where, in the Issuer's opinion, any delisting, nationalisation, bankruptcy proceedings, liquidation, company reorganisation, compulsory redemption, merger, demerger, asset transfer, share swap, swap offer, public tender offer or other similar event occurs with respect to an Underlying Asset or a company to which an Underlying Asset relates; or where, in the Issuer's opinion, a split, new issue, bonus issue, issuance of warrants or convertible debentures, reverse split, or buy-back occurs with respect to an Underlying Asset, or any other event occurs as specified in the Final Terms or which, in accordance with practice on the market for share-related derivative products, may lead to an adjustment in the calculation during outstanding transactions (each an "**Extraordinary Event**") the Issuer shall be entitled to make such adjustments in the calculation of the Settlement Amount or other relevant amount or compilation of the Underlying Asset(s), or to replace an Affected Underlying Asset with a Replacement Underlying Asset which the Issuer thereby deems necessary in order to achieve a calculation of the Settlement Amount which reflects, and is based on, the manner in which such was previously calculated.

Where the Issuer believes that it would not provide a fair result to replace an Affected Underlying Asset or adjust the applicable calculation or the structure of the Underlying Asset, the Issuer may perform an early calculation of the Settlement Amount and/or the yield and determine the Settlement Amount and/or the yield. When the Issuer has determined the Settlement Amount and/or the yield, the Issuer shall notify the Holders of the Settlement Amount and the yield. The Issuer may pay market interest on the Settlement Amount. The Settlement Amount (including accrued interest, if any) shall be paid on the Settlement Date.

The Issuer shall be entitled to make any and all additions and adjustment to the Conditions as the Issuer deems necessary in connection with Extraordinary Events.

12. Change in Law

The following provisions shall apply to all Instruments unless "Change in Law" is stated not to be applicable in the relevant the Final Terms.

(a) Where, in the Issuer's opinion, as a consequence of any changes in any law, ordinance, regulation or equivalent or decision by a public authority or any change in the application thereof, or if a decree of moratorium, currency restriction, embargo, blockade or boycott of a central bank, national government or other public authority such as the United Nations or the European Union, (each a "**Change in Law**") it would be unlawful, significantly more difficult or cause significant reputational damage to the Issuer to issue and to keep the Instruments outstanding, or if it becomes unlawful or more difficult for the Issuer or a third party or cause significant reputational damage to the Issuer to hold, acquire or divest Underlying Assets or to enter into derivative transactions with respect to an Underlying Asset, which may be entered into to hedge the Issuer's exposure under the Instruments, the Issuer may determine that the Affected Underlying Asset shall be replaced by a Replacement Underlying Asset (as selected by the Issuer in its discretion), or alternatively adjust the calculation of the Settlement Amount.

(b) Where the Issuer determines that it would not provide a reasonable result to replace the Affected Underlying Asset or to adjust the applicable calculation, the Issuer may perform an early calculation of the Settlement Amount and/or the yield. Such calculation shall be based on the most recently published value of the Underlying Asset. When the Issuer has determined the Settlement Amount and/or the yield, the Issuer shall notify the Holders of the amount of the Settlement Amount and/or the yield and the Interest Rate which shall continue to accrue on the Instruments which may be a market rate (and which may be zero). The Settlement Amount (including accrued interest, if applicable) shall be paid on the Settlement Date or alternatively the Issuer may elect to bring forward the Settlement Date to a date notified to the Holders in accordance with Condition 19 (*Notices*).

(c) The Issuer shall be entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with a Change in Law.

13. Increased Costs of Hedging

The following terms and conditions shall apply to all Instruments unless "Increased Costs of Hedging" is stated not to be applicable in the relevant the Final Terms:

(a) Where, in the Issuer's opinion, as a consequence of any change in any law, ordinance, regulation or equivalent or decision by a public authority or the application thereof, or any other event or circumstance not directly attributable to the Issuer's deteriorated credit rating which, in the opinion of the Issuer, would affect the Issuer's costs for holding, acquiring or divesting Underlying Assets or entering into, maintaining or terminating derivative instruments relating to one or more Underlying Assets for the purpose of managing the Issuer's exposure under the Instruments, would increase in a manner which is not insignificant for the Issuer or if the Issuer's risk management costs, for a reason other than as listed above would, in the opinion of the Issuer, increase, or where, in the Issuer's opinion, the risk management costs significantly increase (each an "**Increased Cost**"), the Issuer may determine that the Affected Underlying Asset shall be replaced by a Replacement Underlying Asset or alternatively adjust the calculation of the Settlement Amount.

(b) Where the Issuer believes that it would not provide a commercially reasonable result to replace the Affected Underlying Asset or to adjust the applicable calculation, the Issuer may perform an early calculation of the Settlement Amount and/or the yield. Such early calculation shall be based on the most recently published value of the Underlying Asset. When the Issuer has determined the Settlement Amount and/or the yield, the Issuer shall notify the Holders of the amount of the Settlement Amount and/or the yield and the Interest Rate which shall continue to accrue on the Instruments, which may be a market rate (and which may be zero). The Settlement Amount (including accrued interest, if applicable) shall be paid on the Settlement Date or alternatively the Issuer may elect to bring forward the Settlement Date to a date notified to the Holders in accordance with Condition 19 (*Notices*).

(c) The Issuer shall be entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with Increased Costs.

14. Hedging Disruption

The following terms and conditions shall apply to all Instruments unless "Hedging Disruption" is stated not to be applicable in the relevant the Final Terms:

(a) Where, in the Issuer's opinion, after using commercially reasonable efforts, it would be substantially more difficult or impossible to hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of Underlying Assets or enter into transactions or acquire financial instruments for the purpose of hedging/risk management with reference to Underlying Assets which have been acquired to hedge the Issuer's exposure or settlement obligation under the Instruments), (each such event a "**Hedging Disruption**") the Issuer may determine that the Affected Underlying Asset shall be replaced by a Replacement Underlying Asset or alternatively adjust the calculation of the Settlement Amount, Redemption Amount, any Interest Amount, Yield Amount and/or alter the Settlement Date.

(b) Where the Issuer determines that it would not provide a reasonable result to replace the Affected Underlying Asset or to adjust the applicable calculation, the Issuer may perform an early calculation of the Settlement Amount and/or the yield. Such calculation shall be based on the most recently published value of the Underlying Asset. When the Issuer has determined the Settlement Amount and/or the yield, the Issuer shall notify the Holders of the amount of the Settlement Amount and/or the yield and the Interest Rate which may continue to accrue on the Instruments which may be a market rate or which may be zero. The Settlement Amount (including accrued interest, if applicable) shall be paid on the Settlement Date or alternatively the Issuer may elect to bring forward the Settlement Date to a date notified to the Holders in accordance with Condition 19 (*Notices*).

(c) The Issuer shall be entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with Hedging Disruption.

15. **Prescription**

(a) Claims against the Issuer in respect of Registered Instruments will be prescribed unless made within 10 years (or, in the case of claims in respect of interest, three years) after the due date for payment.

(b) Claims against the Issuer for the payment of a Settlement Amount or Redemption Amount in respect of Finnish Instruments shall become statute barred unless made within three years after the relevant payment date.

(c) Claims against the Issuer for the payment of a Settlement Amount or Redemption Amount in respect of Swedish Instruments, or VPS Instruments will be statute barred unless made within ten years after the relevant Settlement Date or Redemption Date (as applicable). Claims against the Issuer for the payment of interest or other yield in respect of Swedish Instruments or VPS Instruments shall be statute barred unless made within three years after the relevant Interest Payment Date or Yield Payment Date (as applicable).

If the limitation period in respect of Swedish Instruments is interrupted a new limitation period of ten years will commence for claims in respect of Settlement Amounts or Redemption Amounts and three years for claims in respect of interest amounts and other yield. Where the limitation period is interrupted through any acknowledgement, claim or reminder a new limitation period shall commence on the date of the interruption or, where the limitation period is interrupted through legal proceedings or the claims for payment is brought before in a court of law, enforcement authority or in arbitration proceedings, bankruptcy proceedings or proceedings for a judicial composition with creditors, a new limitation period shall commence on the date on which a judgment or final decision is rendered or the procedure is otherwise terminated.

(d) The right to payment of any Settlement Amount or Redemption Amount in respect of VP Instruments shall become statute barred ten years after the Settlement Date or Redemption Amount (as applicable). The Issuer shall, upon limitation, be entitled to keep any funds that may have been reserved by the Issuer for such payments.

Upon an interruption of the limitation period, a new limitation period of ten years with respect to any Settlement Amount shall start to run from the day determined in accordance with the Danish Limitation of Claims Act (*forældelsesloven*) (Consolidated Act No. 1238 dated 9 November 2015).

16. **The Fiscal Agent and the Registrar**

The initial Fiscal Agent and Registrar and their respective initial specified offices are specified below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent (including the Fiscal Agent) or the Registrar and to appoint additional or other Agents or another Registrar **provided that** it will at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) an Agent with a specified office in continental Europe but outside the Issuer's jurisdiction of incorporation, (iv) so long as any VPS Instruments are settled through VPS, a Paying Agent with a specified office in Norway, (v) so long as any Swedish Instruments are cleared and settled through Euroclear Sweden, an Issuing Agent with a specified office in Sweden, and (vi) so long as any Finnish Instruments are cleared and settled through Euroclear Finland, an Issuer Agent with a specified office in Finland. The Fiscal Agent and the Registrar reserve the right at any time to change their respective specified offices to some other specified office in the same city, and **provided further that** so long as any VP Instruments are cleared and settled through VP, the

Issuer, the Fiscal Agent and the VP Issuing Agent shall have the respective rights and obligations arising under the Fiscal Agency Agreement and no other Agent shall have any rights and obligations in relation thereto Notice of all changes in the identities or specified offices of the Agents or the Registrar will be notified promptly to the Holders.

17. **Replacement of Instruments**

If any Instrument is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and the requirements of any stock exchange and/or listing authority on which the relevant Instruments are listed, upon payment by the claimant of all expenses incurred in such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Registrar may require. Mutilated or defaced Instruments must be surrendered before replacements will be delivered.

18. **Modifications**

The Issuer is entitled to make any amendment to these Conditions that is approved by all Holders of the relevant Instruments. The Issuer shall promptly notify the Holders of any amendment to the Conditions in accordance with Condition 19 (*Notices*).

If the Issuer determines, acting reasonably, that from time to time there has been a change in prevailing market standard terms or market trading conventions, which change affects any Hedge Transaction such that the terms of such Hedge Transaction are or may thenceforth be inconsistent with corresponding provisions of these Conditions, then it may, without the consent of the Instrumentholders or any Agent, modify these Conditions to the extent necessary to preserve such consistency. The Issuer shall notify the Instrumentholders and the Fiscal Agent in accordance with Condition 19 (*Notices*) promptly following any such determination.

In addition to the foregoing the Issuer is entitled, without the consent of Holders, to amend these Conditions (including the applicable the Final Terms): (i) in order to correct any manifest error or (ii) to the extent appropriate upon a change in applicable mandatory law, or (iii) to the extent that any such amendment would not, in the opinion of the Issuer, be materially prejudicial to the Holders of the Instruments.

19. **Notices**

(a) ***To Holders of Registered Instruments***

Notices to Holders of Registered Instruments will be deemed to be validly given if (i) sent by first class mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the Register kept by the Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing or (ii) if published on the website of the stock exchange on which the relevant Instruments are listed (if applicable) or (iii) published on the website of the Issuer at www.nordea.com.

(b) ***To the Issuer***

Notices to the Issuer will be deemed to be validly given if delivered to Smålandsgatan 17, SE-105 71, Stockholm and clearly marked on their exterior "Urgent — Attention: Group Treasury" (or at such other address and for such other attention as may have been notified to the Holders of the Instruments in accordance with this Condition 19 (*Notices*)) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

(c) **Notices in respect of VP Instruments**

Notices in respect of VP Instruments will be either (i) in writing and shall be addressed to such Holders of the VP Instruments at the address appearing in the Danish Instrument Register maintained by the VP Issuing Agent in accordance with the VP Rules or (ii) published on the website of the stock exchange on which the relevant Instruments are listed (if applicable) or (iii) published on the website of the Issuer at www.nordea.dk or www.nordea.com.

(d) ***Notices in respect of VPS Instruments***

Notices in respect of VPS Instruments will be either (i) in writing given to the VPS for communication by it to such Holders, (ii) in writing, sent by first class mail, by electronic mail or through other electronic means, directly to such Holders, or (iii) published on the website of the stock exchange on which the relevant Instruments are listed (if applicable) or (iv) published on the website of the Issuer at www.nordea.no or www.nordea.com.

(e) **Notices in respect of Swedish Instruments**

Notices in respect of Swedish Instruments will be either (i) in writing, addressed to such Holders at the address appearing in Euroclear Sweden Register and will be deemed to have been validly given on the fourth Business Day after the date of such mailing, or (ii) published on the website of the stock exchange on which the relevant Instruments are listed (if applicable) or (iii) published on the website of the Issuer at www.nordea.se or www.nordea.com.

(f) **Notices in respect of Finnish Instruments**

Notices regarding Finnish Instruments shall be published by the Issuer in a national daily newspaper in the jurisdictions in which Instruments have been offered to the public or on the website of the Issuer www.nordea.fi or www.nordea.com of the stock exchange on which the relevant Instruments are listed (if applicable) or on the website. Written notice may also be sent to Holders at the address recorded in the Issuer's register. Where Instruments have been issued as dematerialised securities, notice to Holders may be sent via Euroclear Finland and account operators. Notices may also be sent to the relevant marketplace, on which the Instrument is listed, for distribution to the members of the marketplace. Notices shall be deemed received by Holders on the day on which they are published in a national daily newspaper, on a relevant website or in Euroclear Finland or, where the notice has been sent by letter, on the fifth day after despatch of the letter.

20. **Provision of Information**

In relation to VP Instruments, each Holder agrees and gives consent to the VP to provide to the VP Issuing Agent, upon request, information registered with the VP relating to the VP Instruments and the Holders of the VP Instruments in order that the VP Issuing Agent may provide any relevant Danish authorities, including the Financial Supervisory Authority of Denmark (*Finanstilsynet*) and the Danish tax authorities with any information required under applicable Danish laws. Such information shall include, but not be limited to, the identity of the holder of the VP Instruments, the residency of the holder of the VP Instruments, the number of VP Instruments of the relevant holder and the address of the relevant holder.

The VPS Paying Agent is obligated, upon request, to provide any relevant Norwegian authorities, including the Financial Supervisory Authority of Norway and the Norwegian tax authorities, with any information registered on the relevant VPS account(s). Such information may include the identity of the registered Holder of the Instruments, the residency of the registered Holder of the Instruments, the number of Instruments registered with the relevant Holder, the address of the relevant Holder, the account operator in respect of the relevant VPS account and whether or not the Instruments are registered in the name of a nominee and the identity of any such nominee

In relation to Finnish Instruments, each Holder agrees and gives consent to Euroclear Finland to provide to the Finnish Issuing Agent, upon request, information registered with Euroclear Finland relating to the Finnish Instruments and the Holders of the Finnish Instruments in order that the Finnish Issuing Agent may provide any relevant Finnish authorities, including the Finnish Financial Supervisory Authority (in Finnish: *Finanssivalvonta*) and the Finnish tax authorities, with any information required under applicable Finnish laws. Such information shall include, but not be limited to, the identity of the registered holder of the Finnish Instruments, the residency of the registered holder of the Finnish Instruments, the number of Finnish Instruments registered with the relevant holder, the address of the relevant holder, the account operator in respect of the relevant Euroclear Finland account (in Finnish: *Tilinhoitaja*) and whether or not the Finnish Instruments are registered in the name of a nominee and the identity of any such nominee.

In relation to Swedish Instruments, each Holder agrees and gives consent to Euroclear Sweden to provide to the Swedish Issuing Agent, upon request, information registered with Euroclear Sweden relating to the Swedish Instruments and the Holders of the Swedish Instruments in order that the Swedish Issuing Agent may provide any relevant Swedish authorities, including the Financial Supervisory Authority of Sweden (*Finansinspektionen*) and the Swedish tax authorities, with any information required under applicable Swedish laws. Such information shall include, but not be limited to, the identity of the registered holder of the Swedish Instruments, the residency of the registered holder of the Swedish Instruments, the number of Swedish Instruments registered with the relevant holder, the address of the relevant holder, the account operator in respect of the relevant Euroclear Sweden account and whether or not the Swedish Instruments are registered in the name of a nominee and the identity of any such nominee.

21. **Further Issues**

The Issuer may from time to time without the consent of the Holders of any Instruments of any Series create and issue further Instruments and other debt securities having terms and conditions the same as those of the Instruments of such Series or the same except for the amount of the first payment of interest (if any), which may be consolidated and form a single Series with the outstanding Instruments of such Series.

22. **Obtaining Information**

The Issuer shall be entitled to obtain information from: (i) the Euroclear Sweden Register in respect of the Swedish Instruments and Holders thereof; and (ii) Euroclear Finland in respect of the Finnish Instruments and Holders thereof.

The Issuer has the right, with respect to Instruments other than Swedish Instruments, to request and obtain from the relevant Clearing System certain information relating to an account in the relevant Clearing System's register of holders, including but not limited to: (i) the Holder's name, personal identification number or other identification number as well as postal address, (ii) Instruments held and the terms and conditions of such Instruments and (iii) where applicable, the number of Instruments in issue.

The Issuer shall have access on demand to static data and ownership of the Instrumentholders registered in the Securities Depository as regulated in Clause 36.3 of the Danish FSA Executive Order 819 of 2 June 2013 on Book-Entry etc. of Investment Securities with a Clearing System.

23. **Law and Jurisdiction**

(a) The Instruments and all non-contractual obligations arising out of or in connection with them may be governed by English law, Swedish law, Finnish law, Danish law or Norwegian law, as specified in the Final Terms. In relation to VP Instruments, Danish law and jurisdiction will be applicable with regard to the registration of such Instruments in the VP and VP Instruments must comply with the Danish Capital Markets Act, the Danish Executive Order and the VP Rule Book. Norwegian law and jurisdiction will be applicable with regard to the registration of such VPS Instruments in the VPS. Swedish law and jurisdiction will be applicable with regard to the registration of such Swedish Instruments in Euroclear Sweden and the Swedish Instruments must comply with the SFIA Act. Finnish law and jurisdiction will be applicable with regard to the registration of such Finnish Instruments in Euroclear Finland and the Finnish Instruments must comply with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* (348/2017)), as amended, and the Finnish Act on Book-Entry Accounts (*Laki arvo-osuustileistä*) (827/1991), as amended, as well as the rules and regulations of Euroclear Finland.

(b) Subject to the provisions of Condition 23(a), the Issuer irrevocably agrees for the benefit of the Holders of the Instruments that the Courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with Instruments governed by English law (including a dispute relating to any non-contractual obligation arising out of or in connection with the Instruments) (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submit to the jurisdiction of such courts. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum. The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Nordea Bank Abp, London Branch at its registered address in London from time to time, being presently at 6th Floor, 5 Aldermanbury Square, London EC2V 7AZ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Instrumentholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Fiscal Agent. Nothing contained herein shall affect the right to serve process in any other manner permitted by law. The submission to the jurisdiction of the Courts of England shall not (and shall not be construed so as to) limit the right of the Holders of the Instruments or of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

(c) If Swedish law is specified in the Final Terms as the governing law, then disputes concerning the interpretation or application of these Conditions shall be settled in Swedish courts. The Stockholm District Court shall be court of first instance.

(d) If Finnish law is specified in the Final Terms as the governing law, then disputes concerning the interpretation or application of these Conditions shall be settled in Finnish courts. The court of first instance shall be *Helsingin käräjäoikeus*.

(e) If Danish law is specified in the Final Terms as the governing law, then disputes concerning the interpretation or application of these Conditions shall be settled by Danish courts. The court of first instance shall be *Københavns Byret*.

(f) If Norwegian law is specified in the Final Terms as the governing law, then disputes concerning the interpretation or application of these Conditions shall be settled by Norwegian courts. The court of first instance shall be *Oslo Tingrett*.

(g) Notwithstanding that, under the SFIA Act or the operating procedures, rules and regulations of Euroclear Sweden (together, the "**Swedish Remedies**"), Holders of Swedish Instruments may have remedies against the Issuer for non-payment or non-performance under the Conditions applicable to such Swedish Instruments, a Swedish Holder must first exhaust all available remedies under the applicable governing law for non-payment or non-performance before any Proceedings may be brought against the Issuer in Sweden in respect of the Swedish Remedies. Notwithstanding Condition 23(b), and in this limited respect only, a Holder of Swedish Instruments may therefore not take concurrent Proceedings in Sweden.

24. **Third Parties Rights**

No person shall have any right to enforce any term or condition of any Instruments under the Contracts (Rights of Third Parties) Act 1999.

25. **Limitation of liability etc.**

The Issuer and the relevant Clearing System shall not, in connection with the discharge or purported discharge of any of their respective obligations in respect of the Instruments, be held liable for any damage arising out of any legal enactment, or any measure undertaken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance. The reservation in respect of strikes, lockouts, boycotts and blockades applies even if an aforementioned entity takes such measures, or is subject to such measures.

The Issuer or the relevant Clearing System shall not be held liable for any other damage or loss incurred if such entity has exercised due care. The aforementioned entities shall not in any case be held responsible for any indirect damage, consequential damage and/or loss of profit, otherwise than as a result of or in relation to the gross negligence of the Issuer or the relevant Clearing System.

Should there be an impediment to the Issuer or the relevant Clearing System taking any action pursuant to these terms and conditions due to any circumstance set out in the first paragraph of this Condition 25 (*Limitation of liability etc.*), such action may be postponed until the impediment has ceased.

The provisions of this Condition 25 (*Limitation of liability etc.*) shall apply unless otherwise provided by mandatory provisions of applicable law.

26. **Acknowledgement of Bail-in and Loss Absorption Powers**

Notwithstanding and to the exclusion of any other term of the Instruments or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 26 (*Acknowledgement of Bail-in and Loss Absorption Powers*), includes each holder of a beneficial interest in the Instruments), by its acquisition of the Instruments, each Instrumentholder acknowledges and accepts that any liability arising under the Instruments may be subject to the exercise of Bail-in and Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

(a) the effect of the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:

    (i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Instruments on a permanent basis;

    (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Instruments into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Instrumentholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Instruments;

    (iii) the cancellation of the Instruments or the Relevant Amounts in respect of the Instruments; and

    (iv) the amendment or alteration of the perpetual nature of the Instruments or amendment of the amount of interest payable on the Instruments, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

(b) the variation of the terms of the Instruments, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

"**Bail-in and Loss Absorption Powers**" means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or resolution related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Relevant Jurisdiction, relating to (i) the transposition of the BRRD or the application of the SRM Regulation and (ii) the instruments, rules and standards created under the BRRD or the SRM Regulation, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

"**Relevant Amounts**" means the outstanding principal amount of the Instruments, together with any accrued but unpaid interest and additional amounts due on the Instruments. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

"**Relevant Resolution Authority**" means the resolution authority with the ability to exercise any Bail-in and Loss Absorption Powers in relation to the Issuer and/or the Nordea Group.

FORM OF FINAL TERMS

[IMPORTANT NOTICE

In accessing the attached final terms (the "Final Terms") you agree to be bound by the following terms and conditions.

The information contained in the Final Terms may be addressed to and/or targeted at persons who are residents of particular countries only as specified in the Final Terms and/or in the Base Prospectus (as defined in the Final Terms) and is not intended for use and should not be relied upon by any person outside those countries and/or to whom the offer contained in the Final Terms is not addressed. **Prior to relying on the information contained in the Final Terms, you must ascertain from the Final Terms and/or the Base Prospectus whether or not you are an intended addressee of the information contained therein.**

Neither the Final Terms nor the Base Prospectus constitutes an offer to sell or the solicitation of an offer to buy securities in the United States or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities law of any such jurisdiction.

The securities described in the Final Terms and the Base Prospectus have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons or to persons within the United States of America (as such terms are defined in Regulation S under the Securities Act ("**Regulation S**")). The securities described in the Final Terms will only be offered in offshore transactions to non-U.S. persons in reliance upon Regulation S.]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Final Terms dated [•]

NORDEA BANK ABP
Legal entity identifier (LE1): 5299000D13047E2L1V03
Issue of [Title of Instruments]
under the Programme for the
Issuance of Warrants and Certificates

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (b) below, any offer of Instruments in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer of the Instruments may only do so:

(a) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer; or

(b) in those Public Offer Jurisdictions mentioned in Paragraph 6 of Part B below, provided such person is one of the persons described in Paragraph 6 of Part B below [and which satisfies conditions set out therein] and that such offer is made during the Offer Period specified for such purpose therein.

The Issuer has not authorised, nor does it authorise, the making of any offer of Instruments in any other circumstances. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.] [1]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Instruments in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer in any Member State of the Instruments may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. The Issuer has not authorised, nor does it authorise, the making of any offer of Instruments in any other circumstances.][2]

[The Base Prospectus referred to below is valid until and including 17 December 2020. The succeeding base prospectus relating to the Programme shall be [made available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, FI-00020 Nordea, Helsinki and from [www.nordea.com/www.nordea.se/www.nordea.no/www.nordea.dk/www.nordea.fi]].[3]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the [original base prospectus dated 15 June 2016/15 June 2017/19 June 2018/18 December 2018]] and which are incorporated by reference in the] base prospectus dated 18 December 2019 [and the supplemental base prospectus dated [•]] [which constitutes a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation[4]]. This document constitutes the Final Terms of the Instruments described herein [for the purposes of the Prospectus Regulation[5]] and must be read in conjunction with the Base Prospectus in order to obtain all relevant information. [A summary of the Instruments is annexed to these Final Terms]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] and these Final Terms are

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1 Include this legend where a non-exempt offer of Instruments is anticipated.

2 Include this legend where a non-exempt offer of Instruments is NOT anticipated.

3 Include this where the Offer Period will continue after the expiration of the base prospectus under which it was commenced, provided that a succeeding base prospectus is approved and published no later than the last day of validity of the previous base prospectus.

4 Delete wording in square brackets for an unlisted, exempt offer.

5 Delete wording in square brackets for an unlisted, exempt offer.

available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, F1-0020 Nordea, Helsinki, Finland and from [www.nordea.com/www.nordea.se/www.nordea.fi/www.nordea.dk].

Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.

I. GENERAL TERMS

1.			
	(i)	Instrument Type:	[Warrant]/[Market Warrant]/[Turbo Warrant]/[Mini Future]/ [Unlimited Turbos]/ [Certificate]/[Max Certificate]
	(ii)	Type of Warrant:	[Call Warrant/Put Warrant/[Not Applicable]
	(iii)	Type of Market Warrant:	[Call Market Warrant/Put Market Warrant/Long Market Warrant/Short Market Warrant/Not Applicable]
	(iv)	Type of Turbo Warrant:	[Turbo Call Warrant/Turbo Put Warrant/Not Applicable]
	(v)	Type of Mini Future/Unlimited Turbo:	[Mini Future Long/Mini Future Short/Unlimited Turbo Long/Unlimited Turbo Short/Mini Future Basket Long/Not Applicable]]
	(vi)	Type of Certificate:	[Bull Certificate/Bear Certificate/Not Applicable]
			[FX Underlying: Applicable/Not Applicable]
2.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Instruments become fungible:	[Not Applicable/The Instruments shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of series*] on [[*insert date*]/the Issue Date.]
3.	Currency:		[•]
4.	Number of Instruments:		
	(i)	Series:	[•] [per ISIN]
	(ii)	Tranche:	[•] [per ISIN]
5.	Issue Price:		[[•] per Instrument/The Initial Price/The Instruments will be issued with an initial Issue Price of approximately [•] per cent on the Issue Date/The Issue Price will be determined by the Issuer on the Issue Date/Not Applicable, the Instruments will be issued on the Issue Date but will not be subscribed by any investor. The Instruments will be traded on the market(s) specified in Part B.1 of these Final Terms].

6.	Issue Date:	[•]
7.	Settlement Date:	[No later than][[•]/[•] Business Days/Scheduled Trading Days after the Expiration Date [or, if earlier, the occurrence of an Early Expiration Event or Stop Loss Event]]/[The earlier of [[•] or] [•] [Scheduled Trading Days/Business Days] following an Early Expiration Event or Stop Loss Event]/[Not Applicable]
8.	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day] [adjusted/unadjusted]
9.	Exchange Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day]/[Not Applicable]
10.	Scheduled Trading Day:	[[•]/As specified in the Conditions]
II.	**PROVISIONS RELATING TO INTEREST OR YIELD**	**[APPLICABLE/NOT APPLICABLE]**
		[Items 11 to 60 have been intentionally omitted][6]
11.	Interest or Yield Basis:	[Cap/Floor] [Capped Floor Float] [Compounding Floater] [Range Accrual] [Digital Long] [Digital Short] [Basket Long] [Basket Short] [Autocall Coupon] [Flat Coupon] [Memory Coupon] [Plus Flat Coupon] [Plus Memory Coupon] [Max Component] [Currency Component – Basket] [Currency Component – Underlying Asset and/or Basket Components]
12.	Base Rate 1:	[STIBOR/[•]]
	• Base Rate Floor	[Applicable/Not Applicable]
13.	Base Rate 2:	[STIBOR/[•]]
	• Base Rate Floor	[Applicable/Not Applicable]
14.	Reuter's Relevant Screen Page:	[•]/[Not Applicable]
15.	Base Rate Margin:	[•]/[Not Applicable]/[As specified in the table in Part B of these Final Terms]

6 Include where interest provisions are marked as "Not Applicable"

16.	Day Calculation Method	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]/[Not Applicable]
17.	Interest Period(s):	[•]/[Not Applicable]
18.	Interest Payment Date:	[•]/[Not Applicable]
19.	Interest Determination Date(s):	[[•]/Not Applicable]
20.	Valuation Date:	[[•]/Each Scheduled Trading Day during the term of the Instrument/As determined in accordance with paragraph [(i)/(ii)/(iii)] of the definition of "Reference Price"/the Expiration Date]
21.	Valuation Time:	[[•]/As set out in the Conditions]
22.	Yield Amount:	[•]/[Not Applicable]
23.	Yield Determination Date(s):	[•]/[Not Applicable]
24.	Yield Payment Date(s):	[•]/[Not Applicable]
25.	Yield Period(s):	[•]/[Not Applicable]
26.	Underlying Amount:	[[•]/Not Applicable]
27.	Strike Level:	[[•]/Not Applicable]
28.	Reference Price:	[[•]/Not Applicable]
29.	Valuation Time:	[[•]/Not Applicable]
30.	Valuation Date:	[[•]/Not Applicable]
31.	Cap Strike:	[[•]/Not Applicable]
32.	Reference Rate:	[[•]/Not Applicable]
33.	Spread:	[[•]/Not Applicable]
34.	Floor Strike:	[[•]/Not Applicable]
35.	Maximum Interest Rate:	[[•]/Not Applicable]
36.	Floor:	[[•]/Not Applicable]
37.	Gearing:	[[•]/Not Applicable]
38.	X:	[[•]/Not Applicable]
39.	Initial Price Higher:	[[•]/Not Applicable]
40.	Initial Price Lower:	[[•]/Not Applicable]
41.	Reference Price Determination Method:	[Official Closing/Fixing /Valuation Time] [for Instruments with [•] as Underlying Asset(s)]
42.	Reference Price:	[[•]/As determined in accordance with paragraph [(i)/(ii)/(iii)] of the definition of "Reference Price"]
43.	Barrier Level:	[[•]/Not Applicable]

44.	Determination Dates	[[•]/Not Applicable]
45.	Observation Day for Barrier Level(s):	[Continuous Observation [*specify dates*]] / [Pre-determined Observation [*specify dates*]] / [Expiration Date Observation] / [Not Applicable]
46.	Coupon:	[[•]/Not Applicable]
47.	Coupon Barrier Level:	[[•]/Not Applicable]
48.	Basket Floor:	[[•]/Not Applicable]
49.	Basket Participation:	[[•]/Not Applicable]
50.	Lowest Basket Return:	[[•]/Not Applicable]
51.	Participation Rate:	[[•]/Not Applicable]
52.	Maximum Interest Amount:	[[•]/Not Applicable]
53.	Autocall Coupon:	[Flat Coupon] [Memory Coupon] [Plus Flat Coupon] [Plus Memory Coupon]
54.	Coupon Level:	[[•]/Not Applicable]
55.	Basket Level:	[Applicable]/[Not Applicable]
56.	Best/Worst Rate:	[Applicable/Not Applicable]
57.	N:	[[•]/Not Applicable]
58.	Max Component:	[[•]/Not Applicable]
59.	Currency Component-Basket:	[[•]/Applicable/Applicable where the Basket Return is [positive/negative]/Not Applicable]
60.	Currency component - Underlying Asset:	[[•]/Not Applicable/Applicable to the following Basket Components: [•]]
III.	**PROVISIONS RELATING TO SETTLEMENT**	
61.	Expiration Date:	[•]/[Not Applicable][Expiration Date Determination] [As set out in the table in Part B of these Final Terms]
62.	Number of Expiration Date Business Days:	[[•]/Not Applicable]
63.	Initial Price:	[[•]/The Reference Price on the Initial Price Determination Date/The arithmetic mean value of the Reference Prices on the Initial Price Determination Date/The arithmetic mean of the Reference Prices for the Initial Price Determination Period/The Strike Price/Not Applicable/ As specified in the table in Part B of these Final Terms]
64.	Initial Price Determination Period:	[[•]/Not Applicable]
65.	Initial Price Determination Date(s):	[[•]/The first Scheduled Trading Day immediately prior to the Issue Date which is not a Disrupted Day/Not Applicable]

66.	Closing Price:	[The Reference Price on the Closing Price Determination Date] /[or] [The arithmetic mean of the Reference Prices on the Closing Price Determination Dates] /[or] [The arithmetic mean of the Reference Prices during the Closing Price Determination Period] [as determined by the Issuer in its sole discretion] [Not Applicable]
67.	Closing Price Determination Date(s):	[[•]/Closing Date Determination/the Redemption Date/the Expiration Date/Expiration Date and the [•] Scheduled Trading Days prior to the Expiration Date]
68.	Closing Price following Early Expiration Event:	[[Condition 6(d) is Applicable/Condition 6(d) is Not Applicable]
69.	Closing Price following Stop Loss Event:	[Condition 6(i) is Applicable/Condition 6(i) is not Applicable]
70.	Number of Closing Date Business Days:	[[•]/Not Applicable]
71.	Strike Price:	[[•][%]/Not Applicable/The Reference Price on the Strike Price Determination Date/The arithmetic mean value of the Strike Prices on the Strike Price Determination Dates/The arithmetic mean of the Strike Prices for the Strike Price Determination Period/As specified in the table in Part B of these Final Terms]
72.	Strike Price Determination Period:	[[•]/Not Applicable]
73.	Strike Price Determination Date(s):	[[•]/The first Scheduled Trading Day they immediately prior to the Issue Date/Not Applicable]
74.	Financing Level:	[[•]/Not Applicable/As specified in the table in Part B of these Final Terms]
75.	Financing Level Calculation Date:	[[•]/Not Applicable/Each Scheduled Trading Day/Cumulative Financing Level]
76.	Redemption Price:	[[•]/Cumulative Redemption Price/Not Applicable]
77.	Base Rate:	[STIBOR/[•]/Not Applicable/0(zero)/As specified in the table in Part B of these Final Terms/[•] per cent per annum]
	• Base Rate Floor:	[Applicable/Not Applicable]
78.	Reuter's Relevant Screen Page:	[•]/[Not Applicable/[As specified in the table in Part B of these Final Terms]]
79.	Base Rate Margin:	[•]/[Not Applicable]/[As specified in the table in Part B of these Final Terms.]
80.	Day Calculation Method	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]/[Not Applicable]
81.	Redemption Price Start:	[Currency] [Price] [Not Applicable]

82.	Reference Price Determination Method:	[Official Closing/Fixing /Valuation Time] [for Instruments with [•] as Underlying Asset(s)]
83.	Reference Price:	[[•]/As determined in accordance with paragraph [(i)/(ii)/(iii)/(iv)] of the definition of "Reference Price"]
84.	Reference Price Determination Date(s):	[[•]/Not Applicable]
85.	Reference Price Determination Period:	[[•]/Not Applicable]
86.	Valuation Date:	[[•]/Each Scheduled Trading Day during the term of the Instrument/As determined in accordance with paragraph [(i)/(ii)/(iii)] of the definition of "Reference Price"/the Expiration Date]
87.	Valuation Time:	[[•]/As set out in the Conditions]
88.	Multiplier:	[•]/[Not Applicable]/[The Initial Price [multiplied by the Initial Translation Rate]]/[As specified in the table in Part B of these Final Terms]
89.	Underlying Amount:	[•]/[Not Applicable]
90.	Participation Rate:	[•]/[Not Applicable]
91.	Leverage Factor:	[[•]/Not Applicable] [Applicable to calculation of [Accumulated Value Change] [and] [not] [Accumulated Financing] [As specified in the table in Part B of these Final Terms]]
92.	Early Expiration Event:	[Applicable/Not Applicable]
93.	Nordnet Termination Event:	[Condition 6(j) is Applicable/Not Applicable]
94.	Commencement of observation of Early Expiration Event:	[Issue Date/Listing Date/Not Applicable]
95.	Number of Trading Hours:	[[•] hours/Not Applicable]
96.	Initial Translation Rate:	[•]/[Not Applicable/the exchange rate determined on the [first/last] Scheduled Trading Day during the Initial Price Determination Period/the exchange rate determined on the Initial Price Determination Date/the Translation Rate on the [Scheduled Trading Day prior to the] Listing Date] [which is not a Disrupted Trading Day]
97.	Translation Rate:	[Applicable/Not Applicable]
	• Cross Rate:	[Applicable /[Not Applicable]
	• Crossing Currency:	[[•]/Not Applicable]
98.	Exchange Rate Reference Source:	[•]/Not Applicable
99.	Exchange Rate Reference Time:	[•]/Not Applicable
100.	Settlement Amount Cap:	[•]/Not Applicable
101.	Settlement Amount Floor:	[•]/Not Applicable

102.	Dividend Coupon:	Applicable/Not Applicable
103.	Dividend Coupon Date(s):	[•]/Not Applicable
104.	Dividend Reinvestment:	[Applicable/Not Applicable]
105.	Dividend Reinvestment Date(s):	[•]/Not Applicable
106.	Material Price Movement:	[•]/Not Applicable
107.	Material Price Percentage:	[Applicable/Not Applicable]
108.	Max Level:	[•]/Not Applicable/[As specified in the table in Part B of these Final Terms]
109.	Barrier Level(s):	[[•]/[Not Applicable] [The percentage of the most recent official closing price for such Underlying Asset(s) quoted on the relevant Reference Source(s)/the Financing Level/the Strike Price[specified in the table in Part B of these Final Terms].
110.	Determination Date(s):	[•]/Not Applicable
111.	Barrier Reference Price:	[•]/[All of the most recent transaction prices during continuous trading listed on a Reference Source, commencing on the Listing Date up to and including the Expiration Date/the last trade price during continuous trading on a Reference Source on the Expiration Date]/[Not Applicable]]
112.	Observation Day for Barrier Level(s):	[Continuous Observation] / [Pre-determined Observation [specify dates]] / [Expiration Date Observation] / [Not Applicable]
	[(i) Observation Start Date: [•]	[[•]/Not Applicable/Listing Date]
	(ii) Observation End Date: [•]]	[[•]/Not Applicable/Expiration Date]
113.	Administration Fee:	[[•]/Not Applicable]
114.	Maximum Administration Fee:	[[•]/Not Applicable]
115.	Initial Accumulated Value:	[•] [The Accumulated Value of one Instrument of Series [•] Tranche [•] for ISIN [•] on the Issue Date] [Not Applicable]
116.	Accumulated Value Calculation Day:	[[•]/Each Scheduled Trading Day during the Accumulated Value Calculation Period]
117.	Stop Loss Event:	[Applicable/Not Applicable]
118.	Stop Loss Level:	[Not Applicable/[Initially [•], and thereafter] The product of the [Reference Price/Financing Level/most recent official closing price for the Underlying Asset quoted on the Reference Source] and the result obtained by subtracting the Stop Loss Buffer from 100% or Adding the Stop Loss Buffer to 100%, as specified in the Conditions]
119.	Stop Loss Reference Price:	[•]/[All of the most recent transaction prices during continuous trading listed on a Reference Source, commencing on the Listing Date up to and

		including the Expiration Date/the last trade price during continuous trading on a Reference Source on the Expiration Date]/[Not Applicable]]
120.	Stop Loss Rollover Date(s):	[[•]/Not Applicable/Each Scheduled Trading Day]
121.	Stop Loss Buffer:	[[•]/Not Applicable/[As specified in the table in Part B of these Final Terms]
	• [Maximum Stop Loss Buffer]:	[[•]/Not Applicable/As specified in the table in Part B of these Final Terms]
122.	Stop Loss Observation Period:	[The period from and including [•] to and including [•] [on each [weekday] from [•] a.m. to [•] p.m.]/ [•] Not Applicable]
IV.	**EARLY REDEMPTION**	**[APPLICABLE/NOT APPLICABLE]**
		[Items 123 to 128 have been intentionally omitted][7]
123.	Application for Redemption:	[Applicable/Not Applicable]
124.	Redemption Date(s):	[•]/[Not Applicable]/[[•] in each year or, if such day is not a Business Day, the next following Business Day]
125.	Number of Redemption Business Days:	[•]/[Not Applicable]
126.	Redemption Fee:	[•]/[Not Applicable]/[[•] per cent of the Settlement Amount]
127.	Specific Early Redemption:	[Applicable/Not Applicable]
128.	Redemption Price:	[•]/[Cumulative Redemption Price]/ [Not Applicable]/[As set out in the Conditions]

V. PROVISIONS APPLICABLE TO DISRUPTION, ADJUSTMENTS AND OTHER EXTRAORDINARY EVENTS.

129.	Change in Law:	[As set out in the Conditions/Not Applicable]
130.	Increased Costs of Hedging:	[As set out in the Conditions/Not Applicable]
131.	Hedging Disruption:	[As set out in the Conditions/Not Applicable]
132.	Market Disruption:	[As set out in the Conditions/Not Applicable]
133.	Commodity Disruption:	[As set out in the Conditions/Not Applicable]
134.	Currency Disruption:	[As set out in the Conditions/Not Applicable]
	• Minimum Amount:	[•]/[Not Applicable]
135.	Fund Event:	[As set out in the Conditions/Not Applicable]
136.	Changed Calculation:	[As set out in the Conditions/Not Applicable]
137.	Corrections:	[As set out in the Conditions/Not Applicable]
138.	Correction Commodity:	[As set out in the Conditions/Not Applicable]

[7] Include where early redemption provisions are marked as "Not Applicable"

139.	Correction Currency:	[As set out in the Conditions/Not Applicable]
140.	Extraordinary Events:	[As set out in the Conditions/Not Applicable]
141.	Interest Rate Fallback:	[As set out in the Conditions/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

142.	Form of Instruments:	[Registered Instruments: Global Registered Instrument registered in the name of a nominee for a common depositary for [Euroclear and Clearstream, Luxembourg]/ [•]] [VP Instruments The Instruments are VP Instruments in uncertificated and dematerialised book entry form] [VPS Instruments: The Instruments are VPS Instruments in uncertificated and dematerialised book entry form] [Swedish Instruments The Instruments are Swedish Instruments in uncertificated and dematerialised book entry form] [Finnish Instruments The Instruments are Finnish Instruments in uncertificated and dematerialised book entry form]
143.	Calculation Agent:	[[•]/Not Applicable]
144.	Relevant Benchmark[s]:	[CIBOR/EURIBOR/ LIBOR/ NIBOR/STIBOR/ MOSPRIME/WIBOR/HIBOR/TIBOR/*insert name of index*] is provided by [*administrator legal name*]][*repeat as necessary*]. [As at the date hereof, [[*administrator legal name*][appears]/[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011, as amended]/[As far as the Issuer is aware, as at the date hereof, the [*specify benchmark*] does not fall within the scope of Regulation (EU) 2016/1011, as amended] / [Not Applicable]
145.	Governing Law:	[English Law/ Finnish Law/ Swedish Law/ Norwegian Law/ Danish Law]

[PURPOSE OF FINAL TERMS

These the Final Terms comprise the final terms required for the issue [and admission to trading on the regulated market of the [Irish Stock Exchange plc, trading as Euronext Dublin/Nasdaq Stockholm/Nasdaq Helsinki/Nasdaq Copenhagen/Oslo Børs/Nasdaq Oslo/Nordic Derivatives Exchange]] of the Instruments described herein pursuant to the Programme for the Issuance of Warrants and Certificates of Nordea Bank Abp.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these the Final Terms. [*Relevant third party information*] has been extracted from [*specify source*]. [The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Nordea Bank Abp:

By:
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**	[Not Applicable]/[Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to the official list and to trading on the [Irish Stock Exchange plc trading as Euronext Dublin/Nasdaq Stockholm/Nasdaq Helsinki/Nasdaq Copenhagen/ Oslo Børs/Nasdaq Oslo/Nordic Derivatives Exchange/NASDAQ First North Stockholm/ NASDAQ First North Helsinki/ NASDAQ First North Copenhagen]/[•]] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to the official list and to trading on the [Irish Stock Exchange plc trading as Euronext Dublin/Nasdaq Stockholm/Nasdaq Helsinki]/Nasdaq Copenhagen/ Oslo Børs/Nasdaq Oslo/Nordic Derivatives Exchange/ NASDAQ First North Stockholm/ NASDAQ First North Helsinki/ NASDAQ First North Copenhagen/[•] with effect from [•].] / [Not Applicable]
Listing Date:	[•] / [Not Applicable]/[The Issue Date]
Listing Currency:	[SEK] / [EUR] / [DKK] / [NOK] / [GBP] / [USD] / [PLN] / [RUB] / [HKD] / [JPY] / [Specify]
Trading Lot:	[[•] Warrants/Certificates constitute one Trading Lot. A maximum of [•] Warrants/Certificates are offered at any given time, i.e. the maximum number of Warrants/Certificates in respect of which the Issuer quotes prices.] / [Not Applicable]

2. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:]

["Save for any fees payable to Authorised Offerors or other third party distributors (if any) in connection with the distribution of the Instruments, so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer."] (*Amend as appropriate if there are other interests)*

[In connection with the issuance and offer of the Instruments, the Issuer will make use of the marketing and customer support services of Nordnet Bank ("**Nordnet**"). The Issuer will compensate Nordnet for such services.]

[In addition, the Issuer has entered into an agreement with Nordnet (the "**Nordnet Agreement**") under the terms of which Nordnet will make the Instruments available on Nordnet's online trading platform. Nordnet will receive compensation under the agreement.]

[*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)*]

3. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)	Reasons for the offer:	[The net proceeds of the issue of the Instruments will be used for the general banking and other corporate purposes of the Issuer and the Nordea Group.] / [*Specify alternative purpose if applicable*].
[(ii)]	Estimated net proceeds:	[•]/[The net proceeds will be determined on the basis of the number of Instruments sold during the Offer Period multiplied by the relevant Offer Price, net of any applicable fees and expenses.]
[(iii)]	Estimated total expenses:	[•]

4. **[INITIAL PRICE]**

Instrument Trading Code/ ISIN	Initial Price
[•]	[[SEK [•]] / [EUR [•]] / [DKK [•]] / [NOK [•]] / [GBP [•]] / [USD [•]] / [PLN [•]] / [RUB [•]] / [HKD [•]] / [JPY [•]]/ [•]]
[*specify Instrument Trading Code(s)*]	[*specify Initial Price per instrument, as applicable*]

5. **PERFORMANCE INFORMATION CONCERNING THE UNDERLYING ASSET(S)**

Need to include details of where information about the past and the future performance of the Underlying Asset(s) and its volatility can be obtained by electronic means and whether or not it can be obtained free of charge.]

Instrument Trading Code/ ISIN	Underlying Asset(s) [and]/ Issuer	Underlying Asset ISIN	[Weight]/ [Number of Instruments]	[Max level]/ [Multiplier] [Barrier Level]	[Strike Price/ Financing Level/ Strike Level]	[Reference Price and Currency]/ [Expiration Date] [and] [Settlement Date]	Reference Source/ Market(s) on which the Underlying Asset(s) is/are admitted to trading	[Base Rate Margin]	[Max Level]/[Leverage Factor]	[Stop Loss Buffer] /[Maximum Stop Loss Buffer]	[Base Rate]
	[share] [index] [depository receipt] [bond] [exchange rate][commodity] [fund] [interest rate] [basket] [futures contract]	[•]	[•]	[•]	[•]	[•]/[•]	[•]	[•]	[•]	[•]	[•/0 (zero)]] [Base Rate Floor: Applicable/Not Applicable]
	[share] [index] [depository receipt] [bond] [exchange rate] [commodity] [fund] [interest rate] [basket] [futures contract]	[•]	[•]	[•]	[•]	[•]/[•]	[•]	[•]	[•]	[•]	[•/0 (zero) [Base Rate Floor: Applicable/Not Applicable]

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<u>[Where the Underlying Asset is an index]</u>

Index's designation:	[•]
Index provider:	[•]
Description:	[•]

Additional information:	Additional information regarding the index is available on [Internet address]
Disclaimers:	[*insert applicable disclaimer text in accordance with any licence agreement*]

[Where the Underlying Asset is a basket]

Basket's designation:	[•]
Index calculator or issuer of Basket Components:	[•]
Information regarding Basket Component	Additional information about the Basket Component is available on [Internet address].

Basket Component	Basket Component ISIN/Code	Type of asset	Basket Component Weight
[•]	[•]	[share] [index] [depository receipt] [bond] [exchange rate] [commodity] [fund] [interest rate] [basket] [futures contract]	[•]
[Cash]	[Not Applicable]	[Cash Value]	

[Where the Underlying Assets comprise a Mini Futures Basket Long]

Cash Component:	[•]
Long Asset:	[*specify*]
Short Asset:	[*specify*]
Basket Weight:	Long Asset: [•] Short Asset: [•]

[Where the Underlying Asset is a commodity, exchange rate, interest rate, forward contract or futures contract]

Underlying Asset's designation:	[•]
Description:	[•] [The futures contract referencing [•], which in the opinion of the Issuer has the shortest remaining term of the cash settled futures contracts listed on the Reference Source] [and which is sufficiently liquid] [futures contracts with expiration of [•] in each year are used] [The rate of exchange between [•] and [•] quoted on the Reference Source.]
Historical rate /Rate diagram:	[*Rate diagram covering one year, where available*]
Rolling of Futures Contracts:	[Applicable] [Not Applicable]

Roll Date(s):	[•] [Any day from and including] [The [•] Scheduled Trading Day [in the month] prior to expiration of the relevant futures contract]
Additional information:	Additional information regarding an Underlying Asset is available on [*Internet address*].
Disclaimer:	*[insert disclaimer language as applicable in accordance with any license agreement]*

[Where the Underlying Asset is a fund]

Fund's designation:	[•]
Description:	The "Fund" was started on [date] and has its registered office in [city] in [country]. Assets under management as per [date] were [currency] [_]. The Fund's investment focus is [_]. (Source [source].
Historical rate /Rate diagram:	[*Rate diagram covering one year, where available*]
Additional information:	The Fund maintains a web site on [*Internet address*].
Management Company:	[•]
Authorisation:	Central Bank of Ireland/other [*specify competent authority*].

6. **OPERATIONAL INFORMATION**

ISIN Code:	[•]/[As specified in the table above]
Common Code:	[•]/[Not Applicable]
[FISN:	[•]]
[CFI Code:	[•]]
Clearing system(s) [and identification number, if applicable]:	[Euroclear / Clearstream, Luxembourg / Euroclear Finland / Euroclear Sweden / VP / VPS / [•]]
Name(s) and address(es) of additional [Paying Agent(s) / VP Issuing Agent(s) / VPS Paying Agent(s) / Swedish Issuing Agent(s)/Finnish Issuing Agent(s)] (if any):	[Not applicable] / [*Give name and address]*
Market Maker:	[Nordea] / [Not Applicable]

7. **DISTRIBUTION**

Public Offer:	[Not Applicable. The Instruments will not be distributed by way of Public Offer.] [The Issuer intends to use the Base Prospectus in connection with a Public Offer of the Instruments during the period from and including *[specify date/the Listing Date]* to and including *[specify date/the Expiration Date]* (the "**Offer Period**") in *[specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions)**, but does not consent to the use of the

	Base Prospectus by any person other than the Issuer.][The Issuer has consented to the Instruments being made available on Nordnet's online trading platform.] The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Instruments during the period from and including *[specify date/the Listing Date]* to and including *[specify date/the Expiration Date]* (the "**Offer Period**") by [*insert names of financial intermediaries/Nordnet*] [via its online trading platform] in *[specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**") [and subject to the following conditions: [*set out clear and objective conditions*], for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2014/65/EU, as amended).
[Prohibition of Sales to EEA Retail Investors]	[Applicable]/[Not Applicable][8]
Offer Price:	[[•]/Not Applicable. The Instruments will initially be created and held by the Issuer for its own account, in order that they are available for resale to prospective investors from time to time. The Instruments will be offered for purchase over the relevant securities exchange at the price that is the official price quoted on the securities exchange from time to time].
Expenses included in the Offer Price:	Not Applicable/[•]
Conditions to which the offer is subject:	[Not Applicable/[•]] [The Issuer reserves its rights to cancel the offer under the following circumstances; (a) the aggregate amount of Instruments purchased on or before [*insert date*] is less than [*insert amount*]; (b) the [insert relevant variable] cannot be set at [relevant value corresponding to the indicated minimum value]; or (c) if any event of an economic, financial or political nature occurs and which may jeopardise a successful offer, as determined by the Issuer]. [The Issuer may also replace any Underlying Asset listed in the table(s) above at any time on or prior to [*insert date*] with a comparable type of underlying Asset].

[8] (*If the Instruments clearly do not constitute "packaged" products or if a KID has been prepared, "Not Applicable" should be specified. If the offer of the Instruments may constitute "packaged" products and no KID has been prepared, "Applicable" should be specified.*)

Description of the application process:	[Not Applicable/[•]/Prospective investors should purchase Instruments through an intermediary that is a direct or indirect member of the relevant securities exchange where the Instruments are admitted to trading]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable [Instruments will be offered for purchase over the relevant securities exchange and there will be no offer for subscription]/[•]/The terms on which any subscriptions may be reduced will be determined in accordance with the terms and conditions agreed between the relevant investor and the relevant distributor or Authorised Offeror.]
Details of the minimum and/or maximum amount of application:	[Not Applicable/[•]]
Details of the method and time limits for paying up and delivering the Instruments:	[Not Applicable [purchases of Instruments will be settled in accordance with the standard procedures of the relevant settlement system]/[•]/The Issuer will use reasonable endeavours to settle any application to purchase instruments promptly following the communication of any order by a distributor or Authorised Offeror. Arrangements for the delivery of the Instruments to investors, and payment of the applicable purchase price, will be determined in accordance with the procedures agreed between the relevant investor and the relevant distributor or Authorised Offeror.]
Manner in and date on which results of the offer are to be made public:	[Not Applicable.] [Following the Offer Period a Final Terms Confirmation Announcement will be published by the Irish Listing Agent. Instruments will be made available for sale on a continuing basis and therefore may be purchased at any time throughout their life and at a variety of different prices depending on prevailing market conditions at the time of purchase.] [Instruments will be made available for sale on a continuing basis and therefore may be purchased at any time throughout their life and at a variety of different prices depending on prevailing market conditions at the time of purchase]/[•]]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/[•]]]
[Categories of potential investors to which the Instruments are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/[•]]]
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable [Instruments will be offered for purchase over the relevant securities exchange and therefore the Issuer will not provide notification of allotments/[•]]/Notification of allotments will be provided by the relevant distributor or Authorised Offeror in accordance with the terms and conditions

	agreed between the relevant investor and such distributor or authorised offeror.]]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable /[•]/[In connection with the issuance of this type of Instruments, the Issuer incurs costs for, among other things, production, distribution, licences, stock exchange listing and risk management. In order to cover these costs, the Issuer charges brokerage fees and commission. The commission is included in the purchase price charged by the Issuer to the relevant purchaser, distributor or Authorised Offeror and will amount to a maximum of [•] per cent per year, calculated on the price of the Instruments].
Name(s) and address(es), to the extent known to the Issuer, of the Authorised Offerors in the various countries where the offer takes place.	[None/[•]] [Address: [[•]]

U.S. FEDERAL INCOME TAX CONSIDERATIONS

[The Instruments are [not] subject to U.S. federal withholding tax under Section 871(m) of the Internal Revenue Code of 1986, as amended.][9]

[ANNEX TO THE FINAL TERMS – SUMMARY OF THE ISSUE

[*To be inserted*]

[9] *The Instruments should not be subject to U.S. federal withholding tax under Section 871(m) of the Internal Revenue Code of 1986, as amended, if they (i) do not reference any U.S. equity or any index that contains any U.S. equity (ii) reference indices considered to be "qualified indices" for purposes of Section 871(m) or (iii) are Non-Delta-One Instruments and are issued prior to 1 January 2021. Delta-One Instruments, or Non-Delta-One Instruments issued on or after 1 January 2021, that reference a U.S. equity or index that contains any U.S. equity are subject to additional testing on a trade-by-trade basis to determine whether they are Section 871(m) Instruments.*

THE NORDEA GROUP

General

The Nordea Group is a large financial services group in the Nordic market (Denmark, Finland, Norway and Sweden) measured by total income with a global reach and operating in 18 countries worldwide. Nordea serves approximately 10 million customers, with approximately 9.3 million household customers and approximately 0.6 million corporate and institutional customers, in each case as of 31 December 2018.

The Nordea Group offers a comprehensive range of banking and financial products and services to household and corporate customers, including financial institutions. The Nordea Group's products and services comprise a broad range of household banking services, including mortgages and consumer loans, credit and debit cards, and a wide selection of savings, life insurance and pension products. In addition, the Nordea Group offers a wide range of corporate banking services, including business loans, cash management, payment and account services, risk management products and advisory services, debt and equity-related products for liquidity and capital raising purposes, as well as corporate finance, institutional asset management services and corporate life and pension products. The Nordea Group also distributes general insurance products.

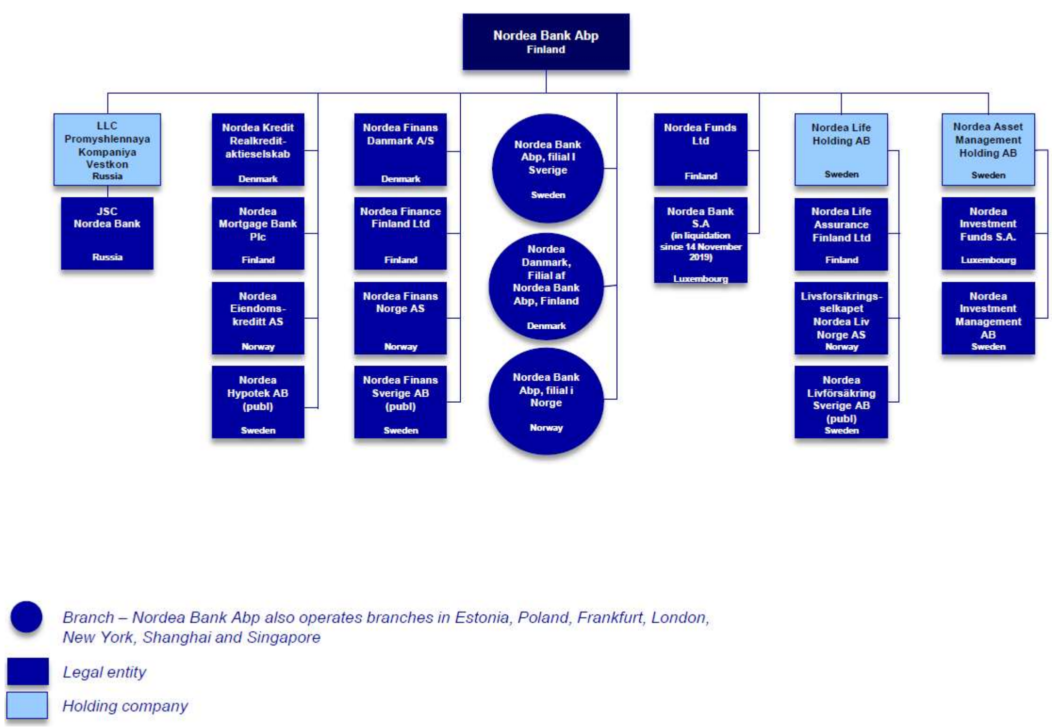
Nordea Bank Abp, the parent company of the Nordea Group, is organised under the laws of Finland and is headquartered in Helsinki. Its ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish krona) and Copenhagen (in Danish krone).

The parent company of the Nordea Group was re-domiciled from Sweden to Finland, which is participating in the EU's banking union, through the Merger that was completed on 1 October 2018. Nordea Bank Abp became the new parent company of the Nordea Group upon the completion of the Merger.

Legal Structure

Nordea Group

The following chart sets forth the main legal structure of the Nordea Group as of the date of this Base Prospectus:



Nordea announced in February 2016 that the board of directors of Nordea Bank AB (publ), together with each of the boards of directors of Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA, had signed cross-border merger plans (together, the "**2017 Subsidiary Merger Plans**"). In March 2016, the general meeting of Nordea Bank AB (publ) approved the 2017 Subsidiary Merger Plans that were entered into with the aim to convert Nordea Bank AB (publ)'s Danish, Finnish and Norwegian subsidiary banks to branches of Nordea Bank AB (publ) by means of cross-border mergers (the "**2017 Subsidiary Mergers**"). The 2017 Subsidiary Mergers took effect on 2 January 2017 under applicable national legislation implementing the European Cross Border Mergers Directive (2005/56/EC) and Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA ceased to exist, with their operations being carried out in branches of Nordea Bank AB (publ). On 1 October 2016, as part of the 2017 Subsidiary Mergers process, a new mortgage credit bank (Nordea Mortgage Bank Plc) was established in Finland through a demerger of Nordea Bank Finland Plc to continue the covered bond operations conducted by Nordea Bank Finland Plc. Nordea believes that the new simplified legal structure strengthens governance and supports the Nordea Group's work to increase agility, efficiency and economies of scale.

In September 2017, the board of directors of Nordea Bank AB (publ) decided to initiate the Re-domiciliation, that is, the re-domiciliation of the parent company of the Nordea Group from Sweden to Finland, which is participating in the EU's banking union. The Re-domiciliation was carried out through a cross-border reversed merger by way of absorption through which Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation, was merged into its wholly owned subsidiary Nordea Bank Abp (i.e., the Merger). Nordea Bank Abp was established specifically for the purpose of the Merger and became the new parent company of the Nordea Group upon the completion of the Merger on 1 October 2018. Nordea Bank AB (publ)'s rights and obligations as well as its assets and liabilities were by operation of law transferred to Nordea Bank Abp on the completion of the Merger by way of universal succession in accordance with relevant Finnish and Swedish corporate law. The Re-domiciliation process is discussed in more detail under "—Re-domiciliation" below.

Overview of the Merger

On 25 October 2017, the boards of directors of Nordea Bank AB (publ) and Nordea Bank Abp signed the merger plan in connection with the Merger (the "**Merger Plan**"), which set out the terms and conditions and related procedures for the Merger. Pursuant to the Merger Plan, Nordea Bank AB (publ) was to be merged into Nordea Bank Abp through the Merger, which was executed as a cross-border reversed merger by way of absorption pursuant to the provisions of Chapter 16, Sections 19–28 of the Finnish Companies Act and, as applicable, Chapter 2 of the Finnish Commercial Banking Act (Fi: *laki liikepankeista ja muista osakeyhtiömuotoisista luottolaitoksista (1501/2001)*) (the "**Finnish Commercial Banking Act**") as well as Chapter 23, Section 36 (with further reference) of the Swedish Companies Act and Chapter 10, Sections 18–25 b of the Swedish Banking and Financing Business Act. Nordea Bank AB (publ) was automatically dissolved on 1 October 2018, which was the date on which the Merger was registered with the Finnish Trade Register (*i.e.*, the Completion Date). For accounting and legal purposes, Nordea Bank AB (publ)'s rights and obligations as well as its assets and liabilities were by operation of law transferred to Nordea Bank Abp on the Completion Date by way of universal succession in accordance with relevant Finnish and Swedish corporate law and the transactions of Nordea Bank AB were treated as being those of Nordea Bank Abp.

Nordea Bank AB (publ)'s shareholders received as merger consideration one new share in Nordea Bank Abp for each share in Nordea Bank AB (publ) that they owned as of the Completion Date (i.e., the merger consideration), meaning that the merger consideration was issued to the shareholders of Nordea Bank AB (publ) in proportion to their existing shareholding with an exchange ratio of 1:1.

Nordea Group's Organisation

Strategy

The Nordea Group has embarked on a number of strategic initiatives to meet the customer vision and to drive cost efficiency, compliance and prudent capital management.

A customer-centric organisation

To facilitate a sharp customer focus, and to reflect the unique needs of the different customer segments, Nordea is organised into four business areas: Personal Banking, Commercial & Business Banking, Wholesale Banking and Asset & Wealth Management. Through this organisation, the Nordea Group seeks to ensure optimal delivery, while increasing the time spent with customers and reducing the time required to bring new products and services to market.

Digitalisation and distribution transformation

Digitalisation is one of the main drivers for change in banking. The Nordea Group's ambition is to transform into a scalable, resilient, efficient and digital relationship bank by 2021.

Building a resilient business for the future

The Nordea Group needs to take and is taking responsibility when mitigating risks, managing its customers' money and in terms of environmental impact. Sustainability is an important factor and therefore the Nordea Group's Sustainability Policy sets out principles on investments, financing and advice. The Nordea Group integrate environmental, social and governance (ESG) issues into Nordea's investment analysis methodology, to ensure that investment and portfolio construction decisions are based on a full set of information. The Nordea Group also integrate ESG risk evaluation into its credit decision-making, and the customers' ESG risk category is included in credit memorandums.

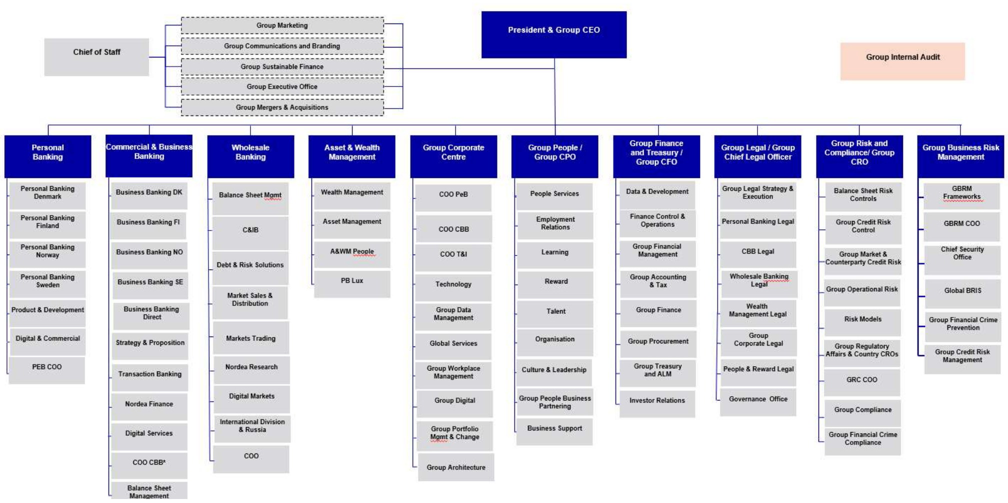
Trust and Responsibility

The Nordea Group has set a target to be a leading institution in terms of regulatory compliance in the Nordic countries. The Nordea Group puts an emphasis on quickly implementing new rules and regulations, making it an integral part of its business model.

Overview

The Nordea Group's organisational structure is built around four main business areas: Personal Banking, Commercial & Business Banking, Wholesale Banking and Asset & Wealth Management. In addition to the business areas, the Nordea Group's organisation includes Group Functions and Other.

The following chart sets forth the Nordea Group's organisation as of the date of this Base Prospectus:



Business areas and Group Functions & Other

Personal Banking

In Personal Banking around 10,000 persons serve approximately 9.3 million household customers. This is done through a combination of physical and digital channels offering a full range of financial services and solutions. The Personal Banking business area includes advisory and service staff, various banking channels (such as mobile banking, internet banking etc.), product units, back office, digital development and IT under a common strategy, operating model and governance across markets. Through strong engagement and valuable advice, the aim is that Personal Banking customers entrust Nordea with all their banking business.

Reflecting the rapid changes in customer preferences, Personal Banking's relationship banking concept also encapsulates and integrates digital channels through constantly expanding its offering relating to mobile banking. The Nordea Group's vision is to be known as safe and trusted, both by its customers and by its partners and the wider society.

Commercial & Business Banking

Commercial & Business Banking consists of Business Banking, Transaction Banking and Nordea Finance. It employs around 4,800 persons and serves approximately 550,000 corporate customers through a mix of physical branches and digital channels. In Business Banking, large and medium-sized corporates are served in a relationship- driven model securing high availability and ability to solve complex customer needs. Small corporates are served in a remote set-up in Business Banking Direct with increased flexibility in the organisation to ensure fast response to changes in customer demand and market development. Transaction Banking is constituted by Cards, Trade Finance, Cash Management and Mobile- & E-Commerce & co-Innovation and serve all Nordea's customer segments, providing payment and transaction services as well as driving Open Banking, and Blockchain/DLT initiatives across all platforms in the Nordea Group. Nordea Finance services all customer segments across Nordea, spanning the simplest unsecured financing needs for household customers to complex supply chain financing solutions for large corporates. Nordea Finance is responsible for Sales Finance business and Asset based lending in Nordea covering three different product groups, being Investment Credits, Working Capital and Consumer Credits. The ambition is to be the leading bank in customer satisfaction, with the most engaged employees and the highest profitability in the segments where the Nordea Group chooses to compete.

Wholesale Banking

Wholesale Banking employs around 3,600 persons and serves approximately 3,000 of Nordea's large corporate and institutional customers. The Wholesale Banking service offering includes a range of financing, cash management and payment services, investment banking, capital markets products and securities services. Through the Wholesale Banking division, a broad range of Nordea customers in Commercial & Business Banking, Asset & Wealth Management and Personal Banking, are also serviced. Customer satisfaction is the top priority. Value adding solutions provide the Nordea Group's customers with access to financing in the capital markets and with tailored financial tools to optimise their business and manage their risks.

Asset & Wealth Management

Asset & Wealth Management employs around 2,700 persons, with approximately 380 people employed outside the Nordic region, primarily in other European countries. Asset & Wealth Management provides high quality investment, savings and risk management solutions to affluent and high net worth individuals and institutional investors. Asset & Wealth Management is comprised of:

- Private Banking – serving customers from 67 branches in the Nordic countries with private banking services;
- Asset Management – responsible for actively managed investment funds and discretionary mandates for institutional clients; and
- Life & Pensions – serving customers with a full range of pension, endowment and risk products.

Group Functions & Other

Group Functions & Other provides the Nordea Group with asset and liability management, treasury operations, group-wide services, strategic frameworks and risk management, compliance and common infrastructure. Group Functions & Other leads the implementation of one operating model across the Nordea Group and continues the Nordea Group's focus on enhancing its performance in relation to capital, financial crime prevention and data and technology.

Group Functions & Other consists of Group Corporate Centre ("**GCC**") and Group Finance & Treasury ("**GF&T**"):

- GF&T is responsible for group-wide asset and liability management, treasury operations, financial reporting and controlling and procurement services as well as resource allocation and performance management. GF&T spans over the following four main areas: Finance, Group Treasury & ALM, Investor Relations and Group Procurement.

- Finance is responsible for financial performance management and for providing high-quality and efficient financial reporting and planning across the Nordea Group, including financial control and analysis, to meet business needs and regulatory requirements.

- Group Treasury & ALM is responsible for prudent management and optimisation of the Nordea Group's capital, liquidity, funding and market risks in the banking book within defined risk appetite and limits, while ensuring compliance with regulation to enable the various business areas to serve Nordea Group's customers.

- Investor Relations ensures a fair reflection of the bank's fundamental business drivers and financial performance by providing transparent and relevant communication to the investor community, as well as channeling feedback from investors back to the Nordea Group.

- Group Procurement is responsible for optimising costs by providing procurement advice and services with a focus on all non-IT related expenses and contracts.

- GCC consists of the Group Chief Operating Officer ("**COO**") organisation including Group Technology, Group Data Management, Global Services, Group Digital, Group Security Office, Group Financial Crime Prevention and Global Business Risk Implementation & Support. The COO organisation is responsible for ensuring one operating model is implemented in the Nordea Group by harmonising processes and services in accordance with its priorities to leverage commonalities and realise synergies.

Legal and Administrative Proceedings

During the ordinary course of business, the Nordea Group is subject to threatened or actual legal- and administrative proceedings and regulatory reviews and investigations, including proceedings in which the Nordea Group is acting as plaintiff seeking to recover unpaid debts owed by defaulting borrowers and other customers, or as respondent in other cases. The Nordea Group is involved in a variety of claims, disputes, legal proceedings and governmental investigations in jurisdictions where it is active. For example, the Nordea Group is subject to an ongoing investigation in Denmark concerning the compliance of Nordea Bank Danmark A/S with applicable anti-money laundering regulations, and the Nordea Group expects to be fined in Denmark for past weaknesses in anti-money laundering processes. Consequently, in the third quarter of 2019 the Nordea Group recorded a provision of EUR 95 million for ongoing anti-money laundering related matters in its financial statements for the nine-month period ended 30 September 2019. The Nordea Group is also subject to administrative claims and tax proceedings from time to time. These types of claims, disputes, legal proceedings and investigations expose the Nordea Group to monetary damages, direct or indirect costs (including legal costs) direct or indirect financial loss, civil and criminal penalties, loss of licences or authorisations, or loss of reputation, criticism or penalties by supervisory authorities, as well as the potential for regulatory restrictions on its businesses. See also "*Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—Legal and regulatory claims arise in the conduct of the Nordea Group's business*". As of the date of this Base Prospectus, none of the governmental, administrative, legal or arbitration proceedings which the Nordea Group is party (including any such proceedings which are pending or threatened of which the board of directors of Nordea is aware) have had in the previous 12 months or are considered likely to have any significant adverse effect on the Nordea Group or its financial position.

Capital Adequacy and Regulatory Considerations

The Nordea Group needs to keep sufficient capital to cover all risks taken (required capital) over a foreseeable future. In order to do this, the Nordea Group strives to attain efficient use of capital through active management of the balance sheet with respect to different asset, liability and risk categories.

On 23 November 2016, the European Commission published legislative proposals for amendments to the CRR, the CRD, the BRRD and the SRM Regulation (the "**CRR II, CRD V and/or BRRD II**" and together the "**banking package**"). The draft banking package also included (i) a draft amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt (the "**Creditor Hierarchy Directive**") and

(ii) phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, which were subsequently updated with final compromise texts published by the European Commission. The banking package covers multiple areas, including the pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities and macro-prudential tools, the framework for MREL and the integration of the TLAC standard into EU legislation. The banking package was published in the Official Journal on 7 June 2019 and the initial elements entered into force on 27 June 2019. It is not yet entirely clear what the exact effect of the banking package will be on Nordea and/or the Nordea Group. The Creditor Hierarchy Directive creates a new category of "non-preferred" senior debt and has been implemented as a matter of domestic law in Finland primarily through the introduction of updates to the Finnish Act on Credit Institutions that took effect as of 15 November 2018 and that regulate, among others, the ranking of "non-preferred" senior debt in the bankruptcy of a credit institution.

Capital Requirements

Under the CRR, institutions are required to hold a minimum amount of regulatory capital of 8.0 per cent of the risk exposure amount (REA) and, under Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (the "**CRR II**"), institutions will also be subject to a leverage ratio requirement of 3 per cent to be met with tier 1 capital. In addition to this minimum requirement, supervisors may add extra capital to cover other risks (thereby increasing the regulatory minimum required under CRD IV) and the Nordea Group may also decide to hold an additional amount of capital. CRD IV also imposes capital buffer requirements that are in addition to the minimum capital requirement and required to be met with common equity tier 1 (CET1) capital. CRD IV imposes certain restrictions, among others, on institutions that fail to meet the combined buffer requirement, as described in further detail below.

The Nordea Group was identified by the FSB as a globally systemically important bank, or "G-SIB", from November 2011 to November 2018 but has not since the FSB list of G-SIBs published in November 2018 been identified as a G-SIB. The Nordea Group was, on 29 June 2018 and until 20 December 2018, identified as a G-SII by the FFSA. While the identification of G-SIIs by national competent authorities (such as the FFSA) is based on the disclosure of global denominators and the results of the FSB's annual G-SIB assessment, the determination as to an institution's G-SII status is made independently by the competent authorities. In any case, the Nordea Group continues to be identified as an OSII. As of the date of this Base Prospectus, Nordea does not expect Nordea Group's ceasing to be a G-SIB or G-SII to have an effect on its capital requirements. Pursuant to the Finnish Act on Credit Institutions (Fi: *laki luottolaitostoiminnasta (610/2014)*) (the "**Finnish Act on Credit Institutions**"), the buffer for G-SIIs is to be set at a level between 1.0 per cent and 3.5 per cent and at a level between 0 per cent and 2 per cent for O-SIIs. Furthermore, a systemic risk buffer within the meaning of Article 133 of the CRD has been implemented into Finnish law through amendments to the Finnish Act on Credit Institutions pursuant to which the FFSA may impose a systemic risk buffer of 1 per cent to 5 per cent on Finnish credit institutions which has been applicable since 1 January 2019. A buffer requirement in excess of 3 per cent requires the approval of the European Commission.

On 29 June 2018, the FFSA decided to activate the systemic risk buffer in Finland. When the applicable capital requirements are determined, only the higher of the systemic risk buffer and G-SII/O-SII buffer is applicable. The systemic risk buffer requirement set by the FFSA is 3 per cent to be met by common equity tier 1 (CET1) capital and to be applicable from 1 July 2019. The O-SII buffer for the Nordea Group is set at 2 per cent to be met by common equity tier 1 (CET1) capital and has been applicable from 1 January 2019. Therefore, from 1 January to 30 June 2019, the applicable buffer was 2 per cent (based on the O-SII buffer) and, from 1 July 2019, the buffer has been increased to 3 per cent since the systemic risk buffer is now the higher of the buffers. The Nordea Group's leverage ratio requirement is expected to remain at 3 per cent and not to increase to 3.5 per cent (which would have been the requirement set for the Nordea Group if it was still identified as a G-SIB).

Following its removal from the list of G-SIBs, the Nordea Group is no longer subject to the TLAC standard issued by the FSB, although as an O-SII, the Nordea Group is subject to the single European resolution board (the "**SRB**") subordination requirement. In addition, the SRB will assess the "no creditor worse off than in liquidation" risks and address such risks with a potential bank-specific add-on for the subordination requirement. The EU has also proposed that the resolution authorities have flexibility to impose a subordination requirement higher than TLAC for G-SIIs and O-SIIs subject to certain conditions. This proposal is at the final stage of the EU legislative process.

The ECB can also assess the adequacy of the systemic risk buffer set by the FFSA and, should the ECB at a later stage consider this buffer not to be adequate, it may set a higher systemic risk buffer requirement.

Under Article 141 (Restrictions on distributions) of the CRD (the "**Article 141 Restrictions**"), member states of the EU must require that institutions that fail to meet the combined buffer requirement (broadly, the combination of the capital conservation buffer, the institution specific countercyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the G-SII buffer and the O-SII buffer, in each case as applicable to the institution) will be subject to restricted "discretionary payments" (which are defined broadly as payments relating to common equity tier 1 (CET1) capital, variable remuneration and payments on additional tier 1 instruments) in certain circumstances, including a shortfall in meeting its capital buffer requirements or, following full implementation of the banking package (as defined below), a failure to meet the minimum requirement for own funds and eligible liabilities.

The restrictions on "discretionary payments" will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the institution since the most recent decision on distribution of profits or "discretionary payment". Such calculation will result in a "maximum distributable amount" ("**MDA**") for the relevant period. As an example, the scaling is such that if the level of a bank's total common equity tier 1 (CET1) capital falls within the bottom quartile of the combined buffer requirement, no "discretionary distributions" will be permitted to be paid. As a consequence, in the event of a breach of the combined buffer requirement it may be necessary for Nordea to reduce "discretionary payments", including dividend payments on its shares and payments on its Additional Tier 1 Notes.

Nordea will, similar to all other banks supervised by the European Single Supervisory Mechanism (the "**SSM**"), be allocated pillar 2 add-ons that are split between a pillar 2 requirement and pillar 2 guidance. The level of both of these add-ons will be communicated by the ECB and the FFSA as part of the formal Supervisory Review and Evaluation Process ("**SREP**") by the EU Supervisory College process. On 26 September 2019, the Issuer received a draft SREP which included a proposed pillar 2 requirement of 1.75 per cent. This implies a common equity tier 1 (CET1) capital ratio requirement of approximately 13 per cent., including a minimum common equity tier 1 (CET1) capital requirement of 4.5 per cent., a capital conservation buffer of 2.5 per cent., a systemic risk buffer of 3 per cent. and a countercyclical buffer of approximately 1.3 per cent.

Under the banking package, a firm will be deemed not to have met its combined buffer requirement, and will become subject to the Article 141 Restrictions, where it does not have own funds and eligible liabilities in an amount and quality to meet: (i) its combined buffer requirement, (ii) its 4.5 per cent pillar 1 common equity tier 1 (CET1) capital requirement, (iii) its 6.0 per cent pillar 1 tier 1 capital requirement, (iv) its 8.0 per cent pillar 1 capital requirement, and (v) its MREL requirements (but not any pillar 2 MREL guidance). Separately, the banking package also states that where an institution fails to meet or exceed its combined buffer requirement, in making distributions within the MDA, it must not make distributions relating to common equity tier 1 (CET1) capital or variable remuneration payments before having made payments on its additional tier 1 instruments.

Additionally, under the banking package, a new Article 141a is introduced to better clarify, for the purposes of restrictions on distributions, the relationship between the additional own funds requirements, the minimum own funds requirements and the combined buffer requirement (the so-called "stacking order"), with Article 141 of CRD IV to be amended to reflect the stacking order in the calculation of the "maximum distributable amount". Under this new provision, an institution such as Nordea will be considered as failing to meet the combined buffer requirement for the purposes of Article 141 of CRD IV where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time the requirement defined in Article 128(6) of CRD IV (i.e., the combined buffer requirement) as well as each of the minimum own funds requirements and the additional own funds requirements. In addition, the new Article 16a of the BRRD is introduced to better clarify the stacking order between the combined buffer requirement and the MREL requirement. Pursuant to this new provision, a resolution authority will have the power to prohibit an entity from distributing more than the "maximum distributable amount" for own funds and eligible liabilities (calculated in accordance with the proposed Article 16a(4) of the BRRD (the "**M-MDA**")) where the combined buffer requirement and the MREL requirement are not met. The final text relating to the amended CRD IV and BRRD as part of the banking package was published in the Official Journal of the European Union on 7 June 2019 and the initial elements entered into force on 27 June 2019. The majority of the amendments apply from 18 months after that date, although the amendments relating to Article 141b, Article 141c and Article 142(1) apply from 1 January 2022.

MREL and TLAC

On 9 November 2015, the Financial Stability Board (the "**FSB**") published its final principles for Total Loss Absorbing Capacity ("**TLAC**"), which set a standard for G SIBs that conceptually overlap with the MREL requirements. The FSB's standard seeks to ensure that G SIBs will have sufficient loss-absorbing capacity available in a resolution of such an entity in order to minimise any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss. The FSB's standard also includes a specific term sheet for total loss-absorbing capacity, which attempts to define an internationally agreed standard. As part of the banking package, the FSB TLAC standard has been incorporated into the capital requirements framework as an extension to the own funds' requirements.

The FSB's standard requires all G SIBs to meet a TLAC requirement of at least 16 per cent of risk-weighted assets as from 1 January 2019 and at least 18 per cent from 1 January 2022. This does not include any applicable Basel III regulatory capital buffers which must be met in addition to the TLAC minimum. The minimum TLAC must be at least 6 per cent of the Basel III leverage ratio denominator as from 1 January 2019 and 6.75 per cent as from 1 January 2022. The standard also requires that G SIBs pre-position some of such loss-absorbing capacity amongst material subsidiaries on an intra-group basis. The Nordea Group was identified as a G-SIB from November 2011 to November 2018 but, based on the most recently updated FSB list of G-SIBs published in November 2018, it is no longer identified as a G-SIB and, therefore, will not be subject to the FSB's TLAC requirement. Within the framework for MREL for banks (the "**MREL Framework**"), the single European resolution board (the "**SRB**") requires G-SIIs to meet the FSB TLAC requirement by TLAC eligible instruments. On 20 December 2018, the FFSA announced that given that the Nordea Group was no longer identified by the FSB as a G-SIB, the FFSA had decided that the Nordea Group will not be identified as a G-SII as of 1 January 2020. This decision, which enters into force as of 1 January 2020, replaces the FFSA's decision of 29 June 2018, in which the FFSA had identified the Nordea Group as a G-SII. The Nordea Group is not therefore subject to the SRB's requirement that G-SIIs meet the TLAC requirement.

As a result of the re-domiciliation of the parent company of the Nordea Group from Sweden to Finland, the SRM Regulation is applicable to the Nordea Group. The SRM Regulation establishes the SRB that has resolution powers over the institutions that are subject to the SRM Regulation and, thereby, replaces the national authorities as the relevant resolution authority with respect to such institutions. Where the SRB performs its duties and exercises powers under the SRM Regulation, the SRB is considered to operate as the relevant authority under the BRRD. The SRB will prepare and adopt a resolution plan for the entities subject to its powers, including the Nordea Group. It will also determine, after consulting competent authorities including the ECB, an MREL requirement subject to write-down and conversion powers which Nordea will be required to meet at all times. The default MREL requirement consists of two elements: (i) a default loss-absorption amount, which reflects the losses that the bank will incur in resolution, and (ii) a recapitalisation amount, which reflects the capital needed to meet ongoing prudential requirements after resolution. The latter component is complemented by a market confidence charge necessary to ensure market confidence post-resolution. Both elements are based on the bank's capital requirements using the supervisory data of the previous year. The SRB also expects larger EU banks to meet a minimum subordination requirement. G-SIIs are required to meet a minimum subordination level equal to 16 per cent of risk exposure amount (REA) plus the combined buffer requirement, pending further assessment by the SRB of NCWOL risks and the final implementation of the banking package. The banking package currently prescribes a minimum subordination requirement of 8.0 per cent of total liabilities (including own funds) subject to a discretion for the relevant resolution authority to agree a lower threshold in certain circumstances. The SRB also intends to issue targets for loss-absorbing capacity to individual subsidiaries within a banking group.

In order to improve resolvability, the SRB assesses NCWOL risks and can address such risks by setting a potential bank-specific add-on for the subordination requirement. The subordination requirement should generally be met by own funds and subordinated MREL eligible liabilities. According to the SRB's MREL policy paper published on 16 January 2019, subordination levels will be set based on a combination of a general level, applicable buffer requirements and a metric, taking account of the bank specific nature of the assessment of NCWOL risk in the senior layer. A floor of 14 per cent of risk exposure amount (REA) plus the combined buffer requirement will apply for O-SIIs. As an O-SII, the Nordea Group is subject to the SRB subordination requirement.

Risk Exposure Amounts

On 7 December 2017, the BCBS announced that its oversight body, the Group of Central Bank Governors and Heads of Supervision, had endorsed the outstanding Basel III post-crisis regulatory reforms proposed by the BCBS. As part of the reform process, the BCBS conducted a review of the standardised approaches and internal models of the capital requirement frameworks for credit and operational risk with a view to, among other things, reducing mechanistic reliance on external ratings. In addition, the role of internal models was reviewed by the BCBS with the aim of improving comparability and address excessive variability in the capital requirements for credit risk. The BCBS also worked on the design of a capital floor framework based on the revised standardised approaches for all risk types. This framework has replaced the capital floor for credit institutions using internal models, which was based on the Basel I standard. The BCBS also calibrated the floor alongside its other work on revising the risk-based capital framework. In addition, the BCBS also conducted a review of trading book capital standards, resulting in new minimum capital requirements for market risk. The revised standards, which require implementation in the EU prior to being applicable to the Nordea Group, will take effect from 1 January 2022 and the capital floor will be phased in over five years. The CRR II does not include the changes to the finalised Basel III as announced by BCBS in December 2017, however, the revised market risk framework, as agreed by the BCBS in 2016 has been included in the CRR II. The market risk framework has been revised by the BCBS in January 2019 and the full market risk framework is, therefore, expected to be implemented with the other BCBS changes at a later stage. Given the various regulatory initiatives that are ongoing, it is currently not possible to determine the impact on the potential future capital requirements and how they will affect the capital position and capital requirements for Nordea or the Nordea Group.

Capital Management

The Nordea Group uses a variety of capital measurements and capital ratios to manage its capital. The Nordea Group calculates its regulatory capital requirements under the CRD IV/CRR framework and the banking package, as applicable. The Nordea Group is – since the bank's redomiciling to Finland – operating under a temporary approval from the bank's new main financial supervisor, the European Central Bank, to use the internal ratings-based ("**IRB**") approach when calculating the capital requirements for the main part of its credit portfolio. Under the terms of the temporary approval, Nordea is obliged to make applications for permanent approvals for permission to use the IRB approach. The Nordea Group uses the Advanced IRB approach for corporate lending in the Nordic countries and in the International Units, as well as for the Nordic retail exposure classes, exposures in mortgage companies and the Finnish finance company. The Foundation IRB approach is used for exposures towards institutions as well as for exposures in the finance companies in Denmark, Norway and Sweden, OJSC Nordea Bank ("**Nordea Bank Russia**"), and for derivative and securities lending exposures. Nordea uses the standardised approach to calculate REA for sovereign exposures and for exposures to equities in the banking book. Acquisitions of new portfolios are treated under the standardised approach until they are approved for the IRB approach by the relevant financial supervisory authority. As of 30 September 2019, 89 per cent. of the Nordea Group's credit risk exposure amount was calculated by IRB approaches. Under the same temporary approval from the European Central Bank, the Nordea Group also uses its own internal Value-at-Risk ("**VaR**") and other models to calculate capital requirements for the major parts of the market risk in the trading books, as well as for counterparty credit risk. The Nordea Group's capital policy will, from 1 January 2020, be to maintain a management buffer of 150–200 basis points above the regulatory common equity tier 1 (CET1) capital ratio requirement. The capital target reflects the latest communication from the ECB and the pillar 2 requirement to which Nordea will be subject from 1 January 2020.

The capital policy is related to the internal capital adequacy assessment process ("**ICAAP**"), which according to the CRD, should, for each bank, review the management, mitigation and measurement of material risks to assess the adequacy of internal capital and determine an internal capital requirement reflecting the risk appetite of the institution.

As of 30 September 2019, the Nordea Group's common equity tier 1 (CET1) capital and own funds exceeded the regulatory minimum requirements outlined in the CRD. Considering results of capital adequacy stress testing, capital forecasting and growth expectations, the Nordea Group assesses that the buffers held for current regulatory capital purposes are sufficient. See also *"Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—CRD IV imposes capital requirements that are in addition to the minimum capital ratio"*.

In addition to the Nordea Group's internal capital requirements, ongoing dialogues with third parties affect the Nordea Group's capital requirements, in particular, views of the external rating agencies.

As part of ICAAP, Nordea defines the internal capital requirement for all material risks from an internal economic perspective, taking into account the regulatory, normative through-the-cycle perspective, adequate to withstand periods of stress. This ensures that Nordea's internal capital requirement is aligned to, but not restricted by, the normative perspective and it also ensures that the data and process are validated and governed in an appropriate way.

Based on the normative Pillar 1 risks as prescribed by the regulator, Nordea calculates an internal Pillar 1 equivalent. For all other risks identified as material and that are determined to be covered by capital, internally assessed and approved add-ons are then quantified to arrive at a total capital requirement.

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 both global and local shock scenarios. The results of the stress tests are considered in Nordea's internal capital requirement as buffers for economic stress. By considering the stress test results in the assessment of internal capital requirements, the pro-cyclical effects inherent in the risk-adjusted capital calculations of the ECB and IRB approaches are addressed.

The Nordea Group uses its economic capital framework as its primary tool for internal capital allocation considering all risk types. Stress testing is also an important component of assessing capital adequacy and the Nordea Group considers the results of stress tests when determining the Nordea Group's internal capital requirements.

ECB Comprehensive Assessment

On 18 July 2019, the ECB published the results of its comprehensive assessment of the Nordea Group, consisting of an Asset Quality Review ("**AQR**"), the outcome of which presents a prudential assessment by the ECB of the carrying values of a bank's assets on a specific date, and a stress test that analyses how a bank's capital position would evolve under a baseline scenario and an adverse scenario over a three-year period (in the case of the Nordea Group, 2018-2021). The comprehensive assessment, which is standard practice for banks that have recently become subject to the direct supervision of the ECB, was conducted based on the Nordea Group's capital ratios as of 30 June 2018 and incorporated the effect of the implementation of "*IFRS 9 – Financial Instruments*".

According to the results of the comprehensive assessment, the Nordea Group does not face capital shortfalls as its capital levels did not fall below the relevant thresholds used in the AQR and the stress test. The Nordea Group's AQR-adjusted common equity tier 1 (CET1) capital ratio in the baseline stress scenario amounted to 14.21 per cent, which is above the 8.00 per cent threshold set by the ECB. Under the adverse stress scenario, the AQR-adjusted common equity tier 1 (CET1) capital ratio of the Nordea Group amounted to 9.23 per cent, which exceeded the 5.50 per cent adverse stress scenario threshold.

Nordea's assessment, subject to additional analysis in the second half of 2019, is that the outcome of the AQR will not have a material impact on Nordea's consolidated income statement or balance sheet. Nordea expects that the prudential outcome of the AQR will be further assessed and discussed in connection with the supervisory dialogue during the second half of 2019.

Credit Quality

The Issuer's expectation for the coming quarters is that net losses will be low and around the average level for 2018 however, the macroeconomic outlook as at 30 September 2019 was somewhat more uncertain than the outlook as at 30 June 2019. After dialogue with the ECB, the Issuer has decided to increase provisions by a total of EUR 229 million in respect of certain sectors, and remodel its collective provisioning, leading to an increase of EUR 53 million.

NORDEA BANK ABP

Overview and legal Structure

Nordea Bank Abp, the parent company of the Nordea Group, conducts banking operations within the scope of the Nordea Group's business organisation. Nordea Bank Abp, was registered with the Finnish Trade Register on 27 September 2017 and is a public limited liability company organised under the laws of Finland. According to Article 3 of Nordea Bank Abp's articles of association, as a commercial bank Nordea Bank Abp engages in business activities that are permitted to a deposit bank pursuant to the Finnish Act on Credit Institutions. Nordea Bank Abp provides investment services and performs investment activities pursuant to the Finnish Act on Investment Services. Further, in its capacity as parent company, Nordea Bank Abp attends to and is responsible for overall functions in the Nordea Group, such as management, supervision, risk management and staff functions. Nordea Bank Abp is subject to substantial regulation in all markets in which it operates. The articles of association were last amended on 1 October 2018. Nordea Bank Abp is registered in the Finnish Trade Register under business identity code 2858394-9. The head office of Nordea is located in Helsinki at the following address: Satamaradankatu (Sw: *Hamnbanegatan*) 5, FI-00020 Nordea, Helsinki, Finland and the telephone number of its head office is +358(0)20070 000. Nordea Bank Abp has several directly and indirectly owned subsidiaries. Nordea Bank Abp's shares are listed on the stock exchanges in Helsinki, Stockholm and Copenhagen.

Share Capital and Shareholders

Share Capital

As of the date of this Base Prospectus, Nordea's share capital is EUR 4,049,951,919, consisting of 4,049,951,919 ordinary shares. The shares in Nordea have no nominal value.

Nordea Bank Abp's articles of association do not contain any provisions on share classes or voting rights and consequently shares may only be issued as ordinary shares and each share confers one vote at general meetings. If Nordea Bank Abp were to issue new shares, all shareholders would typically have preferential rights to the new shares in relation to the number of shares held by them.

Shareholders

The following table sets forth information relating to Nordea's five largest shareholders as of 31 October 2019:

	Number of shares (million)	Per cent of shares and votes[1]
Sampo Plc	804.9	19.9
Nordea Fonden	158.2	3.9
BlackRock	114.5	2.8
Vanguard Funds	101.9	2.5
Alecta	98.0	2.4

(1) Excluding shares issued for Nordea's long-term incentive programmes.

In 2011, Sampo plc's share in Nordea exceeded 20 per cent, meaning that the Nordea Group has since been included in the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (Fi: *laki rahoitus- ja vakuutusryhmittymien valvonnasta (2004/699)*).

Board of Directors

According to the articles of association, the board of directors of Nordea must consist of at least six and no more than 15 members.

As of the date of this Base Prospectus, the board of directors of Nordea consists of 10 members elected by the general meeting for the period until and including the AGM of Nordea in 2020 and three members and one deputy member nominated by the employees. The CEO of Nordea is not a member of the board of directors.

The following table sets forth, for each member of the board of directors of Nordea, his or her year of birth and the year of his or her initial appointment to the board of directors:

	Year of birth	Board member since	Position
Torbjörn Magnusson	1963	2018	Chairman
Kari Jordan	1956	2019	Vice Chairman
Pernille Erenbjerg	1967	2017	Member
Nigel Hinshelwood	1966	2018	Member
Petra van Hoeken	1961	2019	Member
Robin Lawther	1961	2014	Member
John Maltby	1962	2019	Member
Sarah Russell	1962	2010	Member
Birger Steen	1966	2015	Member
Maria Varsellona	1970	2017	Member

The board of directors includes the following three employee representatives and one deputy employee representative:

	Year of birth	Board member since	Position
Dorrit Groth Brandt	1967	2018	Employee Representative
Gerhard Olsson	1978	2016	Employee Representative
Hans Christian Riise	1961	2013	Employee Representative
Kari Ahola	1960	2006	Deputy Employee Representative

The members of the board of directors of Nordea and Group Executive Management have the following office address: c/o Nordea Bank Abp, Satamaradankatu (Sw: *Hamnbanegatan*) 5, FI-00020 Nordea, Helsinki, Finland.

With the exception of the employee representatives, no members of the board of directors of Nordea are employed by the Nordea Group.

No potential conflicts of interest exist between any duties to Nordea Bank Abp of a member of the Board of Directors and the private interests or other duties of each persons.

Torbjörn Magnusson has been a member of the board of directors since 2018 and has served as its Chairman since 2019. As of the date of this Base Prospectus, Mr. Magnusson is a member of the Sampo Group Executive Committee and Chairman of the board of directors of If P&C Insurance Holding Ltd (publ). As of 1 January 2020, Mr. Magnusson will be Group CEO of Sampo plc.

Kari Jordan has been a member of the board of directors since 2019 and has served as its Vice Chairman since 2019. As of the date of this Base Prospectus, Mr. Jordan is the Chairman of the board of directors of Outokumpu Oyj and Jordan Group Oy/M Jordan Oy and a member of the board of directors of Nokian Tyres plc. He is also a board member of several non-profit organisations, including the Finnish Business and Policy Forum EVA/ETLA.

Petra van Hoeken has been a member of the board of directors since 2019. As of the date of this Base Prospectus, Ms. Hoeken is the Chief Risk Officer of Intertrust Group and a board member of Nederlandse WaterschapsBank NV and Oranje Fonds.

Pernille Erenbjerg has been a member of the board of directors since 2017. As of the date of this Base Prospectus, Ms. Erenbjerg is a member of the board of directors of Millicom International Cellular SA and Genmab A/S.

Nigel Hinshelwood has been a member of the board of directors since 2018. As of the date of this Base Prospectus, Mr. Hinshelwood is a member of the Franchise Board of Lloyd's of London and a member of the board of directors of Lloyds Bank Plc and Bank of Scotland Plc.

Robin Lawther has been a member of the board of directors since 2014. As of the date of this Base Prospectus, Ms. Lawther is a member of the board of directors of Oras Invest Ltd, Ashurst LLP, M&G Prudential and UK Government Investments Limited.

John Maltby has been a member of the board of directors since 2019. As of the date of this Base Prospectus, Mr. Maltby is Chairman of Allica and Pepper Money. He is also a member of the board of directors of Simplyhealth Group and National Citizens Service (NCS) Trust.

Sarah Russell has been a member of the board of directors since 2010. As of the date of this Base Prospectus, Ms. Russell is a member of the supervisory board of Nederlandse Investeringsinstelling NV and member of the supervisory board of the Currency Exchange Fund N.V.

Birger Steen has been a member of the board of directors since 2015. As of the date of this Base Prospectus, Mr. Steen is the Chairman of the board of directors of Nordic Semiconductior ASA and a board member of Schibsted ASA, Cognite AS and Pagero AB. He is also a Trustee of the National Nordic Museum in Seattle, United States of America.

Maria Varsellona has been a member of the board of directors since 2017. As of the date of this Base Prospectus, Ms. Varsellona is the Group General Counsel and member of the Executive Committee of ABB.

Group Executive Management

Group Executive Management of the Nordea Group currently consists of 7 members, including the CEO. The President and CEO is appointed by the board of directors and is charged with the day-to-day management of the Nordea Group and the Nordea Group's Group-wide affairs in accordance with applicable laws and regulations, including the Finnish Corporate Governance Code (Fi: *Suomen listayhtiöiden hallinnointikoodi*) (the "**Finnish Corporate Governance Code**"), as well as the instructions provided by the board of directors. The instructions regulate the division of responsibilities and the interaction between the Group CEO and the board of directors. The Group CEO works closely with the Chairman of the board of directors, for example, in planning the meetings of the board of directors.

The following table sets forth each member of Group Executive Management, his or her year of birth, the year of his or her initial employment as a member of Group Executive Management and his or her current position:

	Year of birth	Group Executive Management member since	Position
Frank Vang-Jensen..........................	1967	2018	President and Group Chief Executive Officer (CEO)
Erik Ekman	1969	2015	Head of Commercial & Business Banking and interim Head of Group Risk Management and Control
Matthew Elderfield	1966	2016	Group Chief Risk Officer (CRO), Head of Group Risk and Compliance
Jussi Koskinen	1973	2018	Chief Legal Officer, Head of Group Legal and interim Deputy Managing Director
Christopher Rees.............................	1972	2018	Group Chief Financial Officer (CFO) and Head of Group Finance & Treasury
Martin A Persson	1975	2016	Head of Wholesale Banking
Snorre Storset..................................	1972	2015	Head of Asset & Wealth Management
Sara Mella.......................................	1967	2019	Head of Personal Banking
Christina Gadeberg	1970	2019	Head of Group People

No potential conflicts of interest exist between any duties to Nordea Bank Abp of a member of the Group Executive Management and the private interests or other duties of each persons.

On 5 September 2019, the Issuer announced the appointment of Frank Vang-Jensen as President and Group Chief Executive Officer of the Issuer. Frank Vang-Jensen joined the Issuer in 2017 as Head of Personal Banking and Country Senior Executive for the Issuer in Denmark. In 2018, he was promoted to Head of Personal Banking and member of Group Executive Management. Prior to joining the Issuer, Frank Vang-Jensen worked at Handelsbanken for many years, most recently as President and Chief Executive Officer. The appointment is subject to authority approval.

On 10 September 2019, the Issuer announced that Torsten Hagen Jørgensen, Deputy Chief Executive Officer and Group Chief Operating Officer will leave the Issuer. Torsten Hagen Jørgensen stepped down from Group Executive Management on 10 September 2019 but will be available to support with an orderly transition of his responsibilities. In line with applicable regulations, Group Chief Legal Officer, Jussi Koskinen has been appointed as Deputy Managing Director of the Issuer for an interim period.

Erik Ekman has been a member of Group Executive Management since 2015 and Head of Commercial & Business Banking since 2016. Mr. Ekman has assumed the position of interim Head of Group Risk Management and Control on 8 May 2019 until a permanent appointment is made. Mr. Ekman has held several executive positions since he joined the Nordea Group in 2008, most recently as Head of Wholesale Banking from 2015 to 2016.

Matthew Elderfield has been Group Compliance Officer, Head of Group Compliance and a member of Group Executive Management since 2016. On 8 May 2019, Mr. Elderfield assumed the role of CRO and Head of Group Risk and Compliance. Prior to joining the Nordea Group in 2016, Mr. Elderfield served as Global Head of Compliance at Lloyds Banking Group.

Jussi Koskinen has been Chief Legal Officer and Head of Group Legal and a member of Group Executive Management since 2018. Prior to joining the Nordea Group in 2018, Mr. Koskinen served as Vice President, Head of Global Corporate Legal and Secretary to the board of directors at Nokia Corporation.

Martin A Persson has been Head of Wholesale Banking and a member of Group Executive Management since 2016. Mr. Persson joined the Nordea Group in 2012 and served as the Co-Head of Markets Equities, Nordea Markets from 2012 to 2016. Mr. Persson is a member of Swedish Bankers' Association and Swedish House of Finance.

Christopher Rees has been Group CFO and Head of Group Finance & Treasury and a member of Group Executive Management since 2018. Mr Rees held several executive positions since he joined the Nordea Group in 2015, most recently as Deputy Head of Wholesale Banking and Head of Nordea Markets. On 18 September 2019, the Issuer announced that Mr Rees will leave the Issuer in 2020. Mr Rees will continue in his role and as a member of Group Executive Management until a successor has been appointed and responsibilities orderly transferred.

Snorre Storset has been Head of Asset & Wealth Management since 2016 and a member of Group Executive Management since 2015. Mr. Storset has held several executive positions since he joined the Nordea Group in 2011, most recently as Deputy Head of Wealth Management and Head of Private Banking from 2015 to 2016. As of the date of this Base Prospectus, Mr. Storset is a member of the board of directors of Finans Norge and Finance Norway Servicekontor.

Sara Mella was appointed Head of Personal Banking and a member of the Group Executive Management in December 2019. Sara Mella was appointed Acting Head of Personal Banking in September 2019. Prior to that she was Head of Personal Banking Finland. Sara Mella was born in 1967 and holds a Master of Science in Economics from Tampere University.

Christina Gadeberg was appointed Head of Group People and a member of the Group Executive Management in December 2019. Christina Gadeberg was appointed Acting Head of Group People in September 2019 and prior to that served as Head of People Business Partners and Head of People at Nordea Asset & Wealth Management. Christina Gadeberg was born in 1970 and has a Graduate Diploma in Business Administration from Copenhagen Business School.

On 10 September 2019, the Issuer announced that Karen Tobiasen, Chief People Officer, will leave the Issuer. Karen Tobiasen stepped down from Group Executive Management on 10 September 2019 but will be available to support with an orderly transition of her responsibilities.

Independence

Nordea complies with applicable requirements regarding the independence of the board of directors according to Finnish laws and regulations as well as according to the Finnish Corporate Governance Code. All members of Nordea's board of directors elected by the shareholders, apart from Torbjörn Magnusson, are independent in relation to the Company's major shareholders. As of the date of this Base Prospectus, Torbjörn Magnusson is contracted by Sampo Group and, as of 1 January 2020, will be Group CEO of Sampo plc. Sampo plc owns more than 10 per cent of all shares and votes in Nordea.

All of the members of the board of directors elected by the shareholders are independent of Nordea.

No member of Nordea's board of directors elected by the shareholders at the general meeting is employed by or working in an operative capacity in the Nordea Group. The members and the deputy members of Nordea's board of directors appointed by the employees are employed by the Nordea Group and therefore are not independent of the Nordea Group under the Finnish Corporate Governance Code.

The number of members of Nordea's board of directors who are independent in relation to Nordea as well as independent in relation to Nordea's major shareholders exceeds the minimum requirement set forth in the Finnish Corporate Governance Code, which states that the majority of the members of the board of directors shall be independent of Nordea and at least two of the board members who are independent of the company shall also be independent of the company's major shareholders.

External Auditors

According to Nordea's articles of association, Nordea must have one audit firm as auditor, whose auditor in charge is to be an authorised public accountant approved by the Finland Chamber of Commerce. The assignment as auditor will continue until the end of the next AGM held after the election of the auditor. PricewaterhouseCoopers Oy, Authorised Public Accountants, has been elected as Nordea's auditor until the end of the 2020 AGM. Juha Wahlroos, Authorised Public Accountant, has been assigned as the auditor in charge. PricewaterhouseCoopers Oy has the following office address: Itämerentori 2, FI-00100 Helsinki, Finland.

Prior to the Re-domiciliation, which was completed on 1 October 2018, the parent company of the Nordea Group was Nordea Bank AB (publ). Öhrlings PricewaterhouseCoopers AB acted as the auditor of Nordea Bank AB (publ) until 1 October 2018. Peter Clemedtson was assigned as the auditor in charge. Öhrlings PricewaterhouseCoopers AB and Peter Clemedtson are members of FAR SRS (the Swedish Institute of Authorised Public Accountants). Öhrlings PricewaterhouseCoopers AB has the following office address: Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, SE-113 21 Stockholm, Sweden.

Dividends

Nordea Bank AB (publ)'s annual shareholder general meeting approved, and Nordea Bank AB (publ) paid, the following dividends from 2014 to 2017; and Nordea Bank Abp's annual shareholder general meeting approved, and Nordea Bank Abp paid, the following dividends in 2018:

- 2018: EUR 0.69 per share, total dividend payment of EUR 2,788 million;
- 2017: EUR 0.68 per share, total dividend payment of EUR 2,747 million;
- 2016: EUR 0.65 per share, total dividend payment of EUR 2,625 million;
- 2015: EUR 0.64 per share, total dividend payment of EUR 2,584 million; and
- 2014: EUR 0.62 per share, total dividend payment of EUR 2,501 million.

The Issuer has recently updated its dividend policy, which will apply to profit generated from1 January 2020. The Issuer aims to distribute 60-70 per cent. of net profit for the year to its shareholders and will assess the opportunity to use share buy-backs as a tool to distribute excess capital.

Material Agreements

Nordea Bank Abp is not a party to any material agreement outside of its normal course of business which may result in another Nordea Group company obtaining a right or incurring an obligation which may materially affect Nordea Bank Abp's ability to perform its obligations.

Corporate Governance

Corporate governance in Nordea Bank Abp follows generally adopted principles of corporate governance. The external framework which regulates the corporate governance work includes the Finnish Corporate Governance Code, the Finnish Act on Credit Institutions, the guidelines and regulations of the FFSA and the new EBA guidelines on internal governance under the Capital Requirements Directive.

Principal Investments

There have been no material changes in Nordea's borrowing and funding structure since 31 December 2018. To fund ongoing financing of its activities, Nordea anticipates maintaining its presence in the international capital markets and to negotiate bilateral loans.

On 13 September 2018, Nordea and DNB announced an agreement to jointly sell 60 per cent of Luminor to a consortium led by private equity funds managed by Blackstone ("**Blackstone**"). The transaction was completed in September 2019 following the receipt of regulatory approvals. Nordea and Blackstone have additionally entered into a forward sale agreement for the sale of Nordea's remaining 20 per cent stake. The forward sale is subject to certain conditions but is expected to complete over the next three financial years.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Instruments will be used for the general banking and other corporate purposes of the Nordea Group. If, in respect of any particular issue, there is a particular identified use of proceeds this will be stated in the relevant Final Terms.

TAXATION

The following is a general description of certain tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments, whether in those countries or elsewhere. The tax laws of an investor's Member State and of the Issuer's Member State of incorporation might have an impact on the income received from the securities. Prospective purchasers of Instruments should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Instruments and receiving payments of interest, principal and/or other amounts under the Instruments and the consequences of such actions under the tax laws of those countries. It should also be noted that there are differences in the tax treatment of different Instruments. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Finnish Taxation

The following summary does not purport to present any comprehensive or complete picture of all Finnish tax aspects that could be of relevance to a Holder of the Instruments. The comments in this part are based on current Finnish tax law as applied in Finland and the Finnish Tax practice (which are subject to changes that could prospectively or retroactively affect the stated tax consequences). They assume that the payments of principal and interest on the Instruments by the Issuer do not have a Finnish source and that the Issuer is acting out of its headquarters, and not out of its Finnish branch or permanent establishment, for the purposes of the Instruments. Prospective Holders of Instruments should consult their own professional advisors as to their tax position.

General

The scope of taxation in Finland is defined by the tax liability position of a taxpayer. Finnish residents are subject to taxation in Finland on their worldwide income. Persons that are not resident in Finland for taxation purposes are subject to taxation in Finland solely in respect of their Finnish source income.

Generally, an individual is deemed to be a Finnish resident for taxation purposes if the individual continuously stays in Finland for more than six consecutive months or if the permanent home and abode of the individual is in Finland. A citizen of Finland who has moved abroad is regarded as resident for Finnish taxation purposes until three years have passed after the end of the year of emigration, even if the individual would not stay in Finland and for six consecutive months and the permanent home and abode would not be located in Finland, if the individual cannot prove that he/she has not had any essential ties to Finland in the tax year in question.

Legal entities established under the laws of Finland are regarded as residents of Finland in accordance with domestic tax law.

Double tax treaties may restrict the authority of the Finnish state to tax the foreign source income of an individual or entity deemed as resident of Finland pursuant to Finnish domestic tax law.

Earned income is taxed at progressive tax rates, while capital income up to EUR 30,000 is taxed at a rate of 30 per cent and capital income exceeding EUR 30,000 at a rate of 34 per cent. Corporate entities established under the laws of Finland are regarded as residents of Finland and thus subject to corporate income tax on their worldwide income. The current corporate income tax rate is 20 per cent.

Taxation of Finnish Resident Individuals

Taxation of Interest Income

For physical persons that are resident in Finland for tax purposes and for Finnish estates of deceased persons, interest on Instruments may constitute income subject to tax prepayment withholding at a rate of 30 per cent under the Prepayment Act (Fin. *Ennakkoperintälaki* (1118/1996), as amended), and subject to final taxation as capital income under the Income Tax Act (Fin. *Tuloverolaki* (1535/1992), as amended). The tax rate applicable to capital income is at present 30 per cent. The tax rate for the part of capital income which exceeds 30,000 euros per year is, 34 per cent. Alternatively, interest paid to a Finnish tax resident physical person or a Finnish estate of a deceased person may be income subject to tax at a rate of 30 per cent pursuant to the Interest Income Withholding Tax Act (Fin. *Laki korkotulon lähdeverosta* (1341/1990), as amended). Index-linked yield is generally treated as interest income.

Taxation of Capital Gains

Any income from the sale or other disposal of securities that is considered a capital gain in the Finnish taxation as well as payment of accrued interest (Fin. *jälkimarkkinahyvitys*) is taxed as capital income as described above. However, capital gains are exempted from tax if the total amount of the transfer prices of the person's sold assets does not exceed EUR 1,000 in a tax year. Correspondingly, any loss arising from the sale or other disposal of securities that does not belong to the business activities of the individual is deductible from capital gains and generally also from other capital income arising in the same year or during the subsequent five years. Capital losses will not, however, be tax deductible if the total amount of the acquisition costs of the assets sold by the individual does not exceed EUR 1,000 in a tax year.

Capital gains and losses are calculated as the difference between the transfer price and the aggregate of the actual acquisition cost and sales related expenses. Generally, individuals may alternatively choose to apply the presumptive acquisition cost instead of the actual acquisition cost for the assets. The presumptive acquisition cost of 20 per cent is deducted from the transfer price but, if the shareholder has held the assets for at least ten years, the presumptive acquisition cost is 40 per cent of the transfer price. If the presumptive acquisition cost is applied instead of the actual acquisition cost, all expenses arising from acquiring the gains are deemed to be included in the presumptive acquisition cost and, therefore, cannot be deducted separately from the transfer price.

According to a ruling by the Finnish Supreme Administrative Court, the income from the sale or exercise of non-listed cash settled Warrants that are transferable securities and that, even if non listed, have such qualities that they could be listed, is subject to taxation in Finland as a capital gain. The same tax treatment should apply to listed Warrants. It would, furthermore, seem that the income from the sale or exercise of non-listed cash settled Warrants that do not fulfil the criteria discussed in the above Supreme Administrative Court ruling, would be taxable as other capital income of the Finnish resident individual investor, and not as a capital gain (see below for the taxation of other capital income).

According to the above mentioned ruling, losses arising from the sale or exercise of non-listed cash settled Warrants, in cases where the Warrants do not qualify for capital gains taxation as discussed above, are non-deductible altogether in the taxation of a Finnish resident individual investor.

The principles of the above discussed ruling should as a starting point apply also with respect to Certificates.

Taxation of Finnish Corporate Entities

Finnish corporations are subject to a national corporate income tax on their worldwide income. Interest and other capital income as well as capital gains from the sale or other activities of Finnish resident corporations. The taxable income of a Finnish corporation is determined separately for business activities and for other activities. With effect from tax year 2020, however, the application of the Income Tax Act will be restricted significantly, and generally, the Business Income Tax Act will be applied in calculating the entire taxable income of most corporations. No preliminary tax is withheld from the interest payment or other payments of capital income made to corporate entities residing in Finland.

The capital gain (as well as the capital loss) is calculated by deducting the total sum of the actual acquisition cost and selling expenses from the transfer price. The acquisition cost of the assets is thus deductible from the income of the basket to which the assets transferred belonged (business income or other income). Any capital loss arising from the sale, redemption or other disposal of the Instruments attributable to business activities is initially deductible from income in the business income basket. Confirmed losses from business activities can be carried forward from the taxable income from business activities for ten years following the loss making year. Capital losses attributable to other income can only be offset against capital gains arising in the same income basket and can be carried forward only for the subsequent five tax years. The amendment to the applicability of the Income Tax Act and Business Income Tax Act as of tax year 2020 will affect the deductibility of certain capital losses.

Taxation of Non-Finnish Residents

Non-Finnish tax residents who do not conduct business through a permanent establishment in Finland, should not be subject to Finnish taxation either on payments under Instruments or gains realized on the redemption, sale or other disposal of Instruments. The payer is obliged to ascertain that the recipient is not resident in Finland for tax purposes. The recipient is obliged to disclose their non-resident investor status to the payer. If a recipient fails to provide such information, the Issuer will be entitled to withhold or deduct amounts from a payment in respect of the Instruments, if it is required to do so under Finnish law, and the Issuer will not be required to pay the recipient any additional amounts.

Reporting and Compliance

An issuer resident in Finland for tax purposes and a Finnish paying agent or intermediary is generally obliged to report to the Finnish Tax Administration any interest payments and comparable yield payments, secondary market compensations and index compensations paid to and received under the Instruments by a Finnish tax resident individual or an estate of a deceased resident individual, or by a non-resident recipient of such payment under securities, and any preliminary tax withheld from such payments. An issuer resident in Finland for tax purposes and an intermediary, as defined in the applicable Finnish tax regulations, also has an obligation to report to the Finnish Tax Administration any transactions in the Instruments brokered or made by it, concerning both resident and non-resident holders of Instruments. A Finnish tax resident custodian, and the Finnish branch of a non-resident custodian, furthermore has an obligation to report to the Finnish Tax Administration the information necessary for the calculation of capital gains received by resident and non-resident holders of Instruments, to the extent the custodian has such information. Resident individuals and estates are required to review the tax information contained in their pre-completed annual tax return and, if necessary, correct or complete the information in the tax return.

Transfer Taxation and Value Added Taxation

A transfer or a redemption by way of a cash settlement of the Instruments is not subject to Finnish transfer taxation or VAT.

United States Taxation

United States Foreign Account Tax Compliance Act

The United States has enacted rules, commonly referred to as "FATCA," that generally impose a reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest) and, following the date that is two years after the publication of the final U.S. Treasury regulations defining "foreign passthru payment", certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Finland (the "**Finnish IGA").** Under the Finnish IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Instruments to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Instruments in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA. The Issuer would have no obligation to pay any additional amounts in relation to such withholding or deduction.

Possible United States Withholding under Section 871(m) of the U.S. Tax Code

U.S. Treasury Regulations under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, require withholding of up to 30 per cent. (depending on whether an income tax treaty or other exemption applies) on payments or deemed payments made to non-U.S. persons on certain financial instruments to the extent that such payments are contingent upon or determined by reference to U.S.-source dividends. These rules differentiate between "Delta-One" and "Non-Delta-One" transactions. Withholding currently applies to Delta-One Instruments and should not apply to Non-Delta-One Instruments issued before 1 January 2021 ("**Grandfathered Instruments**") (unless the Non-Delta-One Instruments are "significantly modified" on or after 1 January 2021). However, significant aspects of the application of these regulations to the Instruments are uncertain. Payments on Instruments, other than Grandfathered Instruments, that are treated by the applicable Treasury regulations as being contingent upon, or determined by reference to, any U.S. source dividends may be subject to this withholding.

Withholding in respect of dividend equivalents amounts will generally be required when the relevant payment is made on an Instrument or upon the date of maturity, lapse or other disposition by a non-U.S. investor of the Instruments. Instruments may be treated as paying dividend equivalent amounts to the extent U.S. source dividends are expected to be paid on the underlying equity securities, even if no corresponding payment on the Instrument is explicitly linked to such dividends and even if, upon maturity, lapse or other disposition by the non-U.S. investor, the investor realises a loss. The regulations provide exceptions to withholding, in particular for certain instruments linked to certain broad-based indices. In the event any withholding would be required pursuant to Section 871(m) with respect to payments on the Instruments, no person will be required to pay additional amounts as a result of the withholding. Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) and the applicable regulations to the Instruments.

SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer or by one or more Authorised Offerors acting on their behalf.

The United States of America

The Instruments have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Authorised Offeror will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, Instruments of any Tranche (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the date of issue of the relevant Tranche of Instruments and the completion of the distribution of such Tranche as certified to the Fiscal Agent or the Issuer by the relevant Authorised Offeror(s) within the United States or to, or for the account or of benefit of, U.S. persons, and that it will have sent to each Dealer to which it sells Instruments of such Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Instruments within the United States or to, or for the account of benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any Tranche of Instruments an offer or sale of Instruments of such Tranche within the United States may violate the registration requirements of the Securities Act.

In addition, certain Series of Instruments in respect of which any payment is determined by reference to an index or formula, or to changes in prices of securities or commodities, or certain other Instruments will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Authorised Offeror may agree.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Instruments specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Authorised Offeror has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of MiFID II; or

  (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments.

Public Offer Selling Restriction Under the Prospectus Regulation

If the Final Terms in respect of any Instruments specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Authorised Offeror will be required to represent, warrant and agree, that it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State except that it may, make an offer of such Instruments to the public in that Member State:

(a) *Approved prospectus*: if the Final Terms in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Instruments to the public**" in relation to any Instruments in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Authorised Offeror will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not, or would not, if it was not an authorised person, apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Denmark

Each Authorised Offeror will be required to represent and agree, that it has not offered or sold and will not offer, sell or deliver any of the Instruments directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Capital Markets Act and the Danish executive orders issued thereunder. For the purposes of this provision, an offer of the Instruments in Denmark means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

Finland

Each Authorised Offeror will be required to represent and agree, that it will not directly or indirectly offer and sell the Instruments or bring the Instruments into general circulation in Finland other than in compliance with all applicable provisions of the laws of Finland. Instruments may only be offered and sold to the public in Finland **provided that** either (i) a prospectus in relation to the Instruments is prepared in accordance with the Finnish Securities Markets Act (*Fi: arvopaperimarkkinalaki, (746/2012*), as amended) (the "**Finnish Securities Markets Act**") and/or other applicable laws and regulations including Regulation (EU)

2017/1129 (the "**Prospectus Regulation**"), as applicable, or (ii) an exemption from the requirement to prepare a prospectus is available under the applicable laws of Finland, especially the Finnish Securities Markets Act and/or the Prospectus Regulation, as applicable. Notwithstanding the above, each Authorised Offeror will be required to represent and agree that Instruments may not be offered or sold to individuals or estates of deceased individuals that are resident in Finland for taxation purposes.

Norway

The Instruments have not been registered or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or the Norwegian Registry of Business Enterprises, and, accordingly, each Authorised Offeror will be required to represent and agree, that it will comply with all laws, regulations and guidelines applicable to the offering of Instruments in Norway.

Instruments denominated in NOK may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway, unless the Norwegian Securities Trading Act, the Norwegian Securities Register Act and relevant regulations relating to the offer of VPS Instruments and the registration in the VPS has been complied with.

Sweden

Each Authorised Offeror will be required to represent and agree that no Instruments will be offered to the public in Sweden nor admitted to trading on a regulated market in Sweden unless and until (A) a prospectus in relation to those Instruments has been approved by the competent authority in Sweden or, where appropriate, approved in another Member State and such competent authority has notified the competent authority in Sweden, all in accordance with the Prospectus Regulation; or (B) an exemption from the requirement to prepare a prospectus is available under the Prospectus Regulation.

Ireland

Each Authorised Offeror will be required to represent and agree, that:

(i) it will not underwrite the issue of, or place the Instruments, otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (as amended, the "**MIFID II Regulations**") including, without limitation, Regulations 5 thereof or any codes of conduct made under the MiFID II Regulations and the provisions of the Investor Compensation Act 1998 (as amended);

(ii) it will not underwrite the issue of, or place, the Instruments, otherwise than in conformity with the provisions of the Companies Acts 2014 (as amended), the Central Bank Acts 1942 to 2015 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended); and

(iii) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Instruments otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) and any rules and guidance issued by the Central Bank of Ireland under Section 1370 of the Companies Act 2014.

General

With the exception of the approval by the Central Bank of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Regulation, no action has been or will be taken in any country or jurisdiction by the Issuer that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

GENERAL INFORMATION

1. The update of the Programme was authorised by a duly convened meeting of the Board of Directors of the Issuer on 5 September 2018.

2. Neither of the Issuer nor any of its subsidiaries is, or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Nordea Group.

3. Since 31 December 2018, there has been no material adverse change in the prospects of the Issuer or the Nordea Group.

4. Since 30 September 2019, there has been no significant change in the financial performance or the financial position of the Issuer or the Nordea Group.

5. The consolidated financial statements of the Nordea Group have been audited without qualification for the year ended 31 December 2018 by authorised public accountants PricewaterhouseCoopers Oy, and the consolidated financial statements of Nordea Bank AB (publ) have been audited without qualification for the year ended 31 December 2017 by the public accountants Öhrlings PricewaterhouseCoopers AB. The auditors of the Issuer are PricewaterhouseCoopers Oy. The auditors of the Issuer have no material interest in the Issuer.

6. For the twelve months following the date of this Base Prospectus, physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent in London and the registered office of the Issuer:

   (a) the certificate of Registration and Articles of Association of the Issuer (as the same may be updated from time to time);

   (b) the Fiscal Agency Agreement (as amended from time to time) (which contains the forms of the Instruments);

   (c) the Deed of Covenant (as supplemented from time to time);

   (d) the audited consolidated financial statements of Nordea Bank Abp for the years ended 31 December 2018 and 31 December 2017 including the audit reports relating thereto;

   (e) the unaudited consolidated interim financial statements of Nordea Bank Abp for the nine month period ended 30 September 2019;

   (f) this Base Prospectus, together with any supplements thereto; and

   (g) the Final Terms for issues listed on any stock exchange and issued pursuant to this Base Prospectus.

   For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the websites referred to in this Base Prospectus do not form part of this Base Prospectus.

7. The Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg or, in the case of VP Instruments, the VP or, in the case of VPS Instruments, the VPS or, in the case of Finnish Instruments, Euroclear Finland or, in the case of Swedish Instruments, Euroclear Sweden. Clearance arrangements will be agreed between the Issuer and the Fiscal Agent or, as the case may be, the Registrar in relation to any Series cleared through any other relevant clearing system.

8. The appropriate common code, International Securities Identification Number ("**ISIN**"), Financial Instrument Short Name ("**FISN**") and/or Classification of Financial Instruments ("**CFI**") code for

each issue and details of any other agreed clearance system(s) will be contained in the Final Terms relating thereto.

9. The Legal Entity Identifier ("**LEI**") code for the Issuer is 5299000D13047E2L1V03.

10. The Issuer's website is https://www.nordea.com. Unless specifically incorporated by reference into this Base Prospectus, information contained on this website does not form part of this Base Prospectus.

11. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

12. The address of VP is VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S.

13. The address of VPS is Verdipapirsentralen ASA, P.O. 1174 Sentrum, 0107 Oslo.

14. The address of Euroclear Finland Ltd is Euroclear Finland Ltd, PB 1110, 00101 Helsinki, Finland.

15. The address of Euroclear Sweden AB is Swedish Clearing System, Euroclear Sweden, Klarabergsviadukten 63, PO Box 191, SE 101 23 Stockholm.

16. It is expected that each Series of Instruments which is to be admitted to the Official List of Euronext Dublin will be admitted separately as and when issued, subject only to the issue of the relevant Instruments and the approval of the Programme in respect of such Instrument(s) will be granted on or about 18 December 2019.

17. Settlement arrangements will be agreed between the Issuer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Series.

18. There are no material contracts that have been entered into outside the ordinary course of Issuer's business and which could result in any Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Instrumentholders in respect of the Instruments being issued.

19. The Issuer does not intend to provide post-issuance information under paragraph 3.1 of Annex 17 of Commission Delegated Regulation (EU) No 2019/980.

20. The price and amount of Instruments to be issued under the Programme will be determined by the Issuer at the time of issue in accordance with prevailing market conditions.

21. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for each of the Issuer in relation to the Instruments and is not itself seeking admission of the Instruments to the Official List of Euronext Dublin or to trading on the Regulated Market of Euronext Dublin for the purposes of the Prospectus Regulation.

22. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

ANNEX 1
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2018, INCLUDING THE AUDITORS REPORT AND NOTES RELATING THERETO

Contents

Income statement

EURm	Note	2018	2017
Operating income			
Interest income calculated using the effective interest rate method	G3	5,843	6,132
Other interest income	G3	1,410	1,443
Interest expense	G3	–2,929	–2,909
Net interest income	**G3**	**4,324**	**4,666**
Fee and commission income		3,846	4,232
Fee and commission expense		–853	–863
Net fee and commission income	**G4**	**2,993**	**3,369**
Net result from items at fair value	G5	1,088	1,328
Profit from associated undertakings and joint ventures accounted for under the equity method	G19	124	23
Other operating income	G6	476	83
Total operating income		**9,005**	**9,469**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–2,998	–3,212
Other expenses	G8	–1,399	–1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–482	–268
Total operating expenses		**–4,879**	**–5,102**
Profit before loan losses		**4,126**	**4,367**
Net loan losses	G10	–173	–369
Operating profit		**3,953**	**3,998**
Income tax expense	G11	–872	–950
Net profit for the year		**3,081**	**3,048**
Attributable to:			
Shareholders of Nordea Bank Apb (Nordea Bank AB (publ))		3,070	3,031
Additional Tier 1 capital holders		7	–
Non–controlling interests		4	17
Total		**3,081**	**3,048**
Basic earnings per share, EUR	G12	0,76	0.75
Diluted earnings per share, EUR	G12	0,76	0.75

Statement of comprehensive income

EURm	2018	2017
Net profit for the year	**3,081**	**3,048**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–240	–511
Tax on currency translation differences during the year	–2	3
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	67	175
Tax on valuation gains/losses during the year	–19	–37
Fair value through other comprehensive income[1]:		
Valuation gains/losses during the year	–48	–
Tax on valuation gains/losses during the year	11	–
Transferred to the income statement during the year	–10	–
Tax on transfers to the income statement during the year	2	–
Available for sale investments[1]:		
Valuation gains/losses during the year	–	31
Tax on valuation gains/losses during the year	–	–8
Transferred to the income statement during the year	–	0
Tax on transfers to the income statement during the year	–	0
Cash flow hedges:		
Valuation gains/losses during the year	720	43
Tax on valuation gains/losses during the year	–159	–19
Transferred to the income statement during the year	–676	–150
Tax on transfers to the income statement during the year	149	43
Items that may not be reclassified subsequently to the income statement		
Changes in own credit risk related to liabilities classified as fair value option:		
Valuation gains/losses during the year	20	–
Tax on valuation gains/losses during the year	–4	–
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–173	–115
Tax on remeasurement of defined benefit plans during the year	36	25
Other comprehensive income, net of tax	**–326**	**–520**
Total comprehensive income	**2,755**	**2,528**
Attributable to:		
Shareholders of Nordea Bank Abp (Nordea Bank AB (publ))	2,744	2,511
Additional Tier 1 capital holders	7	–
Non-controlling interests	4	17
Total	**2,755**	**2,528**

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	31 Dec 2018	31 Dec 2017
Assets			
Cash and balances with central banks		41,578	43,081
Loans to central banks	G13	7,642	4,796
Loans to credit institutions	G13	11,320	8,592
Loans to the public	G13	308,304	310,158
Interest-bearing securities	G14	76,222	75,294
Financial instruments pledged as collateral	G15	7,568	6,489
Shares	G16	12,452	17,180
Assets in pooled schemes and unit-linked investment contracts	G17	24,583	25,879
Derivatives	G18	37,025	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		169	163
Investments in associated undertakings and joint ventures	G19	1,601	1,235
Intangible assets	G20	4,035	3,983
Properties and equipment		546	624
Investment properties	G22	1,607	1,448
Deferred tax assets	G11	164	118
Current tax assets		284	121
Retirement benefit assets	G32	246	250
Other assets	G23	14,749	12,441
Prepaid expenses and accrued income	G24	1,313	1,463
Assets held for sale	G42	–	22,186
Total assets		**551,408**	**581,612**
Liabilities			
Deposits by credit institutions	G25	42,419	39,983
Deposits and borrowings from the public	G26	164,958	172,434
Deposits in pooled schemes and unit-linked investment contracts	G17	25,653	26,333
Liabilities to policyholders	G27	18,230	19,412
Debt securities in issue	G28	190,422	179,114
Derivatives	G18	39,547	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,273	1,450
Current tax liabilities		414	389
Other liabilities	G29	23,315	28,515
Accrued expenses and prepaid income	G30	1,696	1,603
Deferred tax liabilities	G11	706	722
Provisions	G31	321	329
Retirement benefit liabilities	G32	398	281
Subordinated liabilities	G33	9,155	8,987
Liabilities held for sale	G42	–	26,031
Total liabilities		**518,507**	**548,296**
Equity			
Additional Tier 1 capital holders		750	750
Non-controlling interests		6	168
Share capital		4,050	4,050
Share premium reserve		–	1,080
Invested unrestricted equity		1,080	–
Other reserves		–1,876	–1,543
Retained earnings		28,891	28,811
Total equity		**32,901**	**33,316**
Total liabilities and equity		**551,408**	**581,612**
Assets pledged as security for own liabilities	G34	171,899	198,973
Other assets pledged	G35	4,788	4,943
Contingent liabilities	G36	17,819	19,020
Commitments	G37	74,479	77,032

Statement of changes in equity

2018

EURm	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other comprehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank Abp											
			Other reserves:									
Balance at 31 Dec 2017	4,050	1,080	−1,720	−46	103	120	–	28,811	32,398	750	168	33,316
Effects from changed accounting policy, net of tax	–	–	–	–	1	–	−8	−237	−244	–	–	−244
Restated opening balance at 1 Jan 2018	4,050	1,080	−1,720	−46	104	120	−8	28,574	32,154	750	168	33,072
Net profit for the year	–	–	–	–	–	–	–	3,070	3,070	7	4	3,081
Items that may be reclassified subsequently to the income statement												
Currency translation differences during the year	–	–	−240	–	–	–	–	–	−240	–	–	−240
Tax on currency translation differences during the year	–	–	−2	–	–	–	–	–	−2	–	–	−2
Hedging of net investments in foreign operations:												
Valuation gains/losses during the year	–	–	67	–	–	–	–	–	67	–	–	67
Tax on valuation gains/losses during the year	–	–	−19	–	–	–	–	–	−19	–	–	−19
Fair value through other comprehensive income:												
Valuation gains/losses during the year	–	–	–	–	−48	–	–	–	−48	–	–	−48
Tax on valuation gains/losses during the year	–	–	–	–	11	–	–	–	11	–	–	11
Transferred to the income statement during the year	–	–	–	–	−10	–	–	–	−10	–	–	−10
Tax on transfers to the income statement during the year	–	–	–	–	2	–	–	–	2	–	–	2
Cash flow hedges:												
Valuation gains/losses during the year	–	–	–	720	–	–	–	–	720	–	–	720
Tax on valuation gains/losses during the year	–	–	–	−159	–	–	–	–	−159	–	–	−159
Transferred to the income statement during the year[4]	–	–	–	−676	–	–	–	–	−676	–	–	−676
Tax on transfers to the income statement during the year[4]	–	–	–	149	–	–	–	–	149	–	–	149

Statement of changes in equity, Nordea Group, cont.

2018

EURm	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other com-prehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank Abp											
			Other reserves:									
Items that may not be reclassified subsequently to the income statement												
Changes in own credit risk related to liabilities classified as fair value option:												
Valuation gains/losses during the year	–	–	–	–	–	–	20	–	20	–	–	20
Tax on valuation gains/losses during the year	–	–	–	–	–	–	–4	–	–4	–	–	–4
Transfer due to derecognition during the year	–	–	–	–	–	–	–	–	–	–	–	–
Defined benefit plans:												
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–173	–	–	–173	–	–	–173
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	36	–	–	36	–	–	36
Other comprehensive income, net of tax	**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**0**	**–326**	**–**	**–**	**–326**
Total comprehensive income	**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**3,070**	**2,744**	**7**	**4**	**2,755**
Paid interest on additional Tier 1 capital	–	–	–	–	–	–	–	–	–	–7	–	–7
Dividend for 2017	–	–	–	–	–	–	–	–2,747	–2,747	–	–	–2,747
Purchase of own shares[2]	–	–	–	–	–	–	–	–6	–6	–	–	–6
Change in non-controlling interests[3]	–	–	–	–	–	–	–	–	–	–	–166	–166
Balance at 31 Dec 2018	**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**

1) Total shares registered were 4,050 million.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme (LTIP), trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 15.2 million. The total holding of own shares related to LTIP were 9.6 million.
3) Of which EUR -172m refers to the sale of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.
4) The transfer is due to that the hedged item is affecting the income statement.
5) Due to the implementation of IFRS 9 the Available for sale (AFS) category does no longer exist and the assets are instead classified as Fair value through other comprehensive income (FVOCI). Hence, the opening balance 2018 for the FVOCI-reserve is the closing balance 2017 for the AFS-reserve.
6) Relates to foreign exchange risk. Of the balance per 31 December 2018, EUR 568m relates to hedging relationship for which hedge accounting is applied and EUR -m relates to hedging relationships for which hedge accounting is no longer applied.
7) For more detailed information see Note G18.

Statement of changes in equity, Nordea Group, cont.

2017

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations[5]	Cash flow hedges[6]	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)										
			Other reserves:								
Balance at 1 Jan 2017	4,050	1,080	–1,350	37	80	210	28,302	32,409	–	1	32,410
Net profit for the year	–	–	–	–	–	–	3,031	3,031	–	17	3,048
Items that may be reclassified subsequently to the income statement											
Currency translation differences during the year	–	–	–511	–	–	–	–	–511	–	–	–511
Tax on currency translation differences during the year	–	–	3	–	–	–	–	3	–	–	3
Hedging of net investments in foreign operations:											
Valuation gains/losses during the year	–	–	175	–	–	–	–	175	–	–	175
Tax on valuation gains/losses during the year	–	–	–37	–	–	–	–	–37	–	–	–37
Available for sale investments:											
Valuation gains/losses during the year	–	–	–	–	31	–	–	31	–	–	31
Tax on valuation gains/losses during the year	–	–	–	–	–8	–	–	–8	–	–	–8
Transferred to the income statement during the year	–	–	–	–	0	–	–	0	–	–	0
Tax on transfers to the income statement during the year	–	–	–	–	0	–	–	0	–	–	0
Cash flow hedges:											
Valuation gains/losses during the year	–	–	–	43	–	–	–	43	–	–	43
Tax on valuation gains/losses during the year	–	–	–	–19	–	–	–	–19	–	–	–19
Transferred to the income statement during the year[4]	–	–	–	–150	–	–	–	–150	–	–	–150
Tax on transfers to the income statement during the year[4]	–	–	–	43	–	–	–	43	–	–	43

Statement of changes in equity, Nordea Group, cont.

2017

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations[5]	Cash flow hedges[6]	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)										
			Other reserves:								
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–115	–	–115	–	–	–115
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	25	–	25	–	–	25
Other comprehensive income, net of tax	**–**	**–**	**–370**	**–83**	**23**	**–90**	**–**	**–520**	**–**	**–**	**–520**
Total comprehensive income	**–**	**–**	**–370**	**–83**	**23**	**–90**	**3,031**	**2,511**	**–**	**17**	**2,528**
Issuance of additional Tier 1 capital	–	–	–	–	–	–	–6	–6	750	–	744
Dividend for 2016	–	–	–	–	–	–	–2,625	–2,625	–	–	–2,625
Purchase of own shares[2]	–	–	–	–	–	–	–12	–12	–	–	–12
Change in non-controlling interests[3]	–	–	–	–	–	–	121	121	–	150	271
Balance at 31 Dec 2017	**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**28,811**	**32,398**	**750**	**168**	**33,316**

1) Total shares registered were 4,050 million.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP were 10.2 million.
3) Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.
4) The transfer is due to that the hedged item is affecting the income statement.
5) Relates to foreign exchange risk. Of the balance per 31 December 2017, EUR 521m relates to hedging relationship for which hedge accounting is applied and EUR -m relates to hedging relationships for which hedge accounting is no longer applied.
6) For more detailed information see Note G18.

Cash flow statement

EURm	2018	2017
Operating activities		
Operating profit	3,953	3,998
Adjustment for items not included in cash flow	1,238	3,514
Income taxes paid	–1,024	–950
Cash flow from operating activities before changes in operating assets and liabilities	**4,167**	**6,562**
Changes in operating assets		
Change in loans to central banks	–2,052	–190
Change in loans to credit institutions	–1,463	136
Change in loans to the public	–2,884	7,541
Change in interest-bearing securities	–90	4,305
Change in financial assets pledged as collateral	237	–2,915
Change in shares	4,984	–5,801
Change in derivatives, net	4,687	–4,816
Change in investment properties	–218	–171
Change in other assets	–1,672	2,890
Changes in operating liabilities		
Change in deposits by credit institutions	–622	9,432
Change in deposits and borrowings from the public	–5,461	–1,681
Change in liabilities to policyholders	–1,531	2,163
Change in debt securities in issue	12,856	–8,373
Change in other liabilities	–8,307	3,201
Cash flow from operating activities	**2,631**	**12,274**
Investing activities		
Sale of business operations	646	228
Investment in associated undertakings and joint ventures	–81	–957
Sale of associated undertakings	90	20
Acquisition of property and equipment	–32	–129
Sale of property and equipment	14	11
Acquisition of intangible assets	–608	–685
Sale of intangible assets	–	42
Net divestment in debt securities, held to maturity	–	–8
Purchase/sale of other financial fixed assets	–	–21
Cash flow from investing activities	**29**	**–1,499**
Financing activities		
Issued subordinated liabilities	641	–
Issued Additional Tier 1 capital	–	750
Paid interest on additional Tier 1 capital	–7	–
Amortised subordinated liabilities	–669	–750
Divestment/repurchase of own shares incl change in trading portfolio	–6	–12
Dividend paid	–2,747	–2,625
Cash flow from financing activities	**–2,788**	**–2,637**
Cash flow for the year	**–128**	**8,138**
Cash and cash equivalents at beginning of the year	46,213	41,860
Translation difference	–76	–3,785
Cash and cash equivalents at the end of year	46,009	46,213
Change	**–128**	**8,138**

Cash flow statement, Nordea Group, 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'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 cash flow includes:

EURm	2018	2017
Depreciation		
Impairment charges	307	236
Loan losses	175	5
Unrealised gains/losses	217	422
Capital gains/losses (net)	–401	–47
Change in accruals and provisions	994	–182
Translation differences	–94	–625
Change in bonus potential to policyholders, Life	–447	58
Change in technical reserves, Life	–20	2,056
Change in fair value on the hedge items, assets/liabilities (net)	–144	–957
Other	412	134
Total	**1,238**	**3,514**

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

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

EURm	2018	2017
Interest payments received	7,412	7,748
Interest expenses paid	–3,138	–3,475

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2018	31 Dec 2017
Cash and balances with central banks	41,578	43,081
Loans to central banks, payable on demand	2,759	2,004
Loans to credit institutions, payable on demand	1,672	779
Assets held for sale	–	349
Total	**46,009**	**46,213**

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.

Reconciliation of liabilities arising from financing activities

The opening balance of subordinated liabilities was EUR 10,459m. During the period cash flows related to bonds were EUR –750m and the effects of FX changes and other was EUR –722m ending up in a closing balance of EUR 8,987m.

Glossary

Allowances in relation to credit impaired loans (stage 3)
Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowances in relation to loans in stage 1 and 2
Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

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

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

Diluted earnings per share
Net profit for the year divided by the weighted average number of outstanding shares after full dilution, non-controlling interests excluded.

Economic capital (EC)
Economic Capital is Nordea's interal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business risk and Life Insurance Risk arising from activities in Nordea's various business areas.

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

Equity per share
Equity as shown on the balance sheet after full dilution and non-controlling interests excluded divided by the number of shares after full dilution.

Impairment rate (Stage 3), gross
Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

Impairment rate (Stage 3), net
Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

Loan loss ratio
Net loan losses (annualised) divided by closing balance of loans to the public (lending) measured at amortised cost.

Non-servicing, not impaired
Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Own funds
Own funds include the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the carrying amount of the shares in wholly owned insurance companies and the potential deduction for expected shortfall.

Price to Book
Nordea's stock market value relative to its book value of total equity.

Return on equity
Net profit for the year as a percentage of average equity for the year. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for ther period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity including net profit for the year and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on assets
Net profit for the year as a percentage of total assets at end of the year.

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

ROCAR, % (Return on capital at risk)
Net profit excluding items affecting comparability, in percentage of Economic Capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic capital.

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

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

Total allowance rate (Stage 1, 2 and 3)
Total allowances divided by total loans measured at amortised cost before allowances.

Total allowances in relation to impaired loans (provisioning ratio)
Total allowances divided by impaired loans before allowances.

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

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

G1. Accounting policies

Content for Note G1

1. Basis for presentation

Nordea'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 21 February 2019 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 28 March 2019.

The accounting policies, basis for calculations and presentations are unchanged in comparison with the Annual Report 2017, except from changed accounting policies and presentation described below in the section "Changed accounting policies and presentation". The comparable figures for 2017 are presented in accordance with IAS 39, for more information see Note G1 in the Annual Report 2017, mainly within section 13.

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2018 and their impact on Nordea's financial statements are described below.

IFRS 9 "Financial instruments"

The new standard IFRS 9 "Financial instruments" covers classification and measurement, impairment and general hedge accounting and replaces the earlier requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea as from 1 January 2018. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 10).

The total negative impact on equity from IFRS 9 amounts to EUR 183m after tax and was recognised as an opening balance adjustment 1 January 2018. For more information about the IFRS 9 transition impact on 1 January 2018, see below. Nordea has not restated the comparative figures for 2017.

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group. For contacts signed after 1 January 2018 only restructured contracts are allowed to have SPPI non-compliant features and for restructured contracts the SPPI analysis is performed for each contact separately.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than in IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Under IAS 39 Nordea did not calculate collective provisions for off balance sheet exposures or the financial instruments classified into the measurement category Financial assets at fair value through other comprehensive income.

G1. Accounting policies, cont.

The new classification and measurement requirements in IFRS 9 have resulted in the following classification of assets and liabilities at transition per 1 January 2018:

Classification of assets and liabilities under IFRS 9

Assets

		Fair value through profit or loss (FVPL)						
1 Jan 2018, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Assets held for sale	Total
Cash and balances with central banks	43,081	–	–	–	–	–	–	43,081
Loans	246,966	76,427	–	–	–	–	–	323,393
Interest-bearing securities	3,093	28,027	7,832	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	6,489	–	–	–	–	–	6,489
Shares	–	17,180	–	–	–	–	–	17,180
Assets under pooled schemes and unit-linked investment contracts	–	25,229	499	–	–	151	–	25,879
Derivatives	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,207	–	1,207
Intangible assets	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	159	–	159
Current tax assets	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	250	–	250
Other assets	1,523	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	22,186	22,186
Total assets	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,053**	**22,186**	**581,472**

Liabilities

		Fair value through profit or loss (FVPL)					
1 Jan 2018, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Liablities held for sale	Total
Deposit by credit institutions	34,078	5,905	–	–	–	–	39,983
Deposits and borrowings from the public	163,330	9,075	29	–	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	–	–	–	26,333
Liabilities to policyholders	–	–	3,486	–	15,926	–	19,412
Debt securities in issue	122,511	–	56,603	–	–	–	179,114
Derivatives	–	41,607	–	1,106	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,450	–	–	–	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	2,883	24,421	–	–	1,261	–	28,515
Accrued expenses and prepaid income	246	–	–	–	1,357	–	1,603
Deferred tax liabilities	–	–	–	–	717	–	717
Provisions	–	–	–	–	377	–	377
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	8,987	–	–	–	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total liabilities	**333,435**	**81,008**	**86,451**	**1,106**	**20,308**	**26,031**	**548,339**

G1. Accounting policies, cont.

The new classification and measurement requirements in IFRS 9 have resulted in the following reclassification and remeasurement of assets and liabilities at transition per 1 January 2018:

Reclassification of assets and liabilities at transition

		Fair value through profit or loss (FVPL)						
Assets, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Assets held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**295,639**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	89,904	–89,904	–	–	–	–	–
Required reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–	–
Reclassification of provisions on loans held at fair value	128	–128	–	–	–	–	–	–
Impact from companies accounted for under the equity method	–	–	–	–	–	–28	–	–28
Remeasurement[3]	–153	–	–	–	–	41	–	–112
Balance at 1 Jan 2018 under IFRS 9	**259,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,053**	**22,186**	**581,472**

		Fair value through profit or loss (FVPL)					
Liabilities, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Liabilities held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**333,435**	**81,008**	**86,451**	**1,106**	**20,265**	**26,031**	**548,296**
Remeasurement under IFRS 9[4]	–	–	–	–	43	–	43
Balance at 1 Jan 2018 under IFRS 9	**333,435**	**81,008**	**86,451**	**1,106**	**20,308**	**26,031**	**548,339**

1) The reclassification relates to Loans and is required by the classification criteria in IFRS 9. These loans were reclassified to amortised cost as the business model for these loans under IFRS 9 is to hold them and collect contractual cash flows. Under IAS 39 these loans were designated at fair value through profit or loss as they were considered to be part of Markets' portfolio of assets and liabilities which were managed on a fair value basis. The fair value of these loans 31 December 2018 does not significantly differ from the carrying amount at the same date which was EUR 91m. The changes in fair value of these loans during 2018 was EUR 143m and the effective interest rate 1 January 2018 was in the range 0.36%–3.56%. The interest income from these loans during 2018 amounts to EUR 2m and was presented in the income statement on the row Net results from items at fair value in the income statement.

2) Interest-bearing securities of EUR 202m, shares of EUR 11,926m, loans of EUR 52,547m and assets in pooled schemes of EUR 25,229m have been reclassified from Fair value option to Fair value through profit and loss, mandatorily. The reason for this reclassification of interest-bearing securities, shares and loans is that these assets have cash flows that were not solely payments of principle and interest and therefore based on classification criteria mandatorily should be measured at fair value through profit or loss. The reason for the reclassification of the pooled schemes was that these assets are managed on a fair value basis and therefore based on the classification criteria mandatorily should be measured at fair value through profit or loss.

3) Amortised cost (AC) consists of remeasurement of collective and individual provisions of EUR 153m and FVOCI consist of new provisions of EUR 2m and an equal but opposite fair value measurement. Non financial assets consist of an increase of deferred tax assets of EUR 41m.

4) Increase in provision for off-balance sheet items of EUR 48m and decrease of deferred tax liability of EUR 5m.

G1. Accounting policies, cont.

The assets to test for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 will have individually calculated provisions, while for insignificant assets the assessment is based on a statistical model. In stage 1, the provisions equal the 12 months expected loss. In stage 2 and 3, the provisions equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. For assets held at transition, Nordea has decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets recognised after transition, changes to the lifetime Probability of Default (PD) are used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2.

Nordea's model for calculating collective provisions under IAS 39 defined a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 requires several notches deterioration. The provisions under IFRS 9 are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea earlier, under IAS 39, held 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 requires provisions equal to the lifetime expected loss.

When calculating expected losses under IFRS 9, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea has decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as a provision.

The quantitative impact from the new impairment requirements on total allowances and provisions for on- and off-balance exposures, including debt instruments accounted for at fair value through other comprehensive income (FVOCI), was an increase of EUR 203m. Equity was reduced by EUR 183m including the expected impact from companies accounted for under the equity method. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, was insignificant. Nordea has not applied the transitional rules issued by the EU allowing a phase in of the impact on common equity tier-1 capital. There was no material impact to large exposures. The impact on provisions is disclosed in the table below.

Impairment calculations under IFRS 9 requires more experienced credit judgement by the reporting entities than was required by IAS 39 and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward-looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 10). If Nordea instead had elected to apply the new hedge accounting requirement in IFRS 9 that would not have resulted in any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures. The reason is that Nordea generally uses macro (portfolio) hedge accounting.

IFRS 15 "Revenue from Contracts with Customers"

The new standard IFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes earlier revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The standard does not apply to financial instruments, insurance contracts or lease contracts.

The standard was implemented by Nordea as from 1 January 2018 using the modified retrospective approach, meaning that the cumulative effect of the change was recognised as an adjustment to equity in the opening balance 2018. Comparable figures for 2017 are not restated.

The new standard had an impact on Nordea's accounting policies for loan origination fees, as such fees are amortised as part of the effective interest of the loans to a larger extent than before. The total negative impact on equity from IFRS 15

Reclassification of provisions at transition

EURm	Held to maturity	Loans and receivables	Amortised cost (AC)	Available for sale	Fair value through other comprehensive income (FVOCI)	Off-balance	Total
Balance at 31 Dec 2017 under IAS 39	**–**	**2,333**	**–**	**–**	**–**	**91**	**2,424**
Reclassification to AC	–	–2,156	2,156	–	–	–	0
Reclassification to FVPL	–	–177	–	–	–	–	–177
Remeasurement under IFRS 9, collective provisions	–	–	143	–	2	48	193
Remeasurement under IFRS 9, individual provisions	–	–	10	–	–	–	10
Balance at 1 Jan 2018 under IFRS 9	**–**	**–**	**2,309**	**–**	**2**	**139**	**2,450**

G1. Accounting policies, cont.

amounts to EUR 61m after tax and was recognised as an opening balance adjustment 1 January 2018.

IAS 1 "Presentation of Financial Statements"
As a result of IFRS 9, IASB have amended IAS 1 "Presentation of Financial Statements". These amendments were implemented by Nordea as from 1 January 2018.

As a result of the amendments in IAS 1, Nordea presents interest income on two rows in the income statement, Interest income calculated using the effective interest rate method and Other interest income. On the row Interest income calculated using the effective interest method, Nordea presents interest income from financial assets measured at amortised cost and at fair value through other comprehensive income. This line item also includes the net paid or received interest on hedging instruments relating to these assets. All other interest income is presented on the income statement row Other interest income. The comparative figures for 2017 have been restated.

Other amended requirements
The following new and amended standards and interpretations were implemented by Nordea 1 January 2018 but have not had any significant impact on the financial statements of Nordea:

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with
- IFRS 4 Insurance contracts
- Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions
- Amendments to IAS 40: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle

As from 1 October 2018 Nordea is applying certain 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. Earlier Nordea applied certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board. These changes have not had any significant impact on Nordea's financial statements.

3. Changes in IFRSs not yet applied
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

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 term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and 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 and earlier application is permitted. The standard was endorsed by the EU-commission in 2017.

The main impact on Nordea's financial statements will come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. The right of use asset, presented as "Properties and equipment" on the balance sheet, will amount to EUR 1.5bn. The increase of total assets will be EUR 1.2bn considering also a reclassification of already existing prepaid lease expenses. There is no significant impact on the income statement or equity, although the presentation will change in the income statement. The impact on the CET1 ratio is negative by 12 basis points following an increase in REA. See note G49 "IFRS 16" for more information on the impact from IFRS 16.

IFRS 17 "Insurance contracts"
The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash-flows, risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II capital requirement directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognized in the income statement at the time when the contract is signed and approved.

IFRS 17 is effective for annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry the IASB board has proposed to amend IFRS 17 including a one-year deferral of IFRS 17 effective date to 1 January 2022. The standard is not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

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 statements, capital adequacy or large exposures in the period of initial application:

G1. Accounting policies, cont.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definitions of Material

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 impact on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  - goodwill and
  - loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the classification of leases
- the classification of additional tier 1 instruments
- assessing control for consolidation purposes
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G40 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are 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 are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. 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 178,960m (EUR 189,157m) and EUR 136,412m (EUR 141,819m) 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 G40 "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 goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 1,816m (EUR 1,994m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (generally 3-5 years) and to the estimated sector growth rate for the period beyond 3-5 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk-free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note G20 "Intangible assets".

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea's total lending before impairment allowances was EUR 329,306m (EUR 325,879m) at the end of the year. For more information, see Note G13 "Loans and impairment".

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the

G1. Accounting policies, cont.

assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical models used to calculate provisions are based on macro-economic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses.

Effectiveness testing of cash flow hedges

Nordea's accounting policies for cash flow hedges are described in section 10 "Hedge accounting".

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

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

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 23 "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 Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,494m (EUR 3,454m) at the end of the year.

Actuarial calculations of insurance contracts

Nordea's accounting policy for insurance contracts is described in section 19 "Liabilities to policyholders".

A valuation of insurance liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Important actuarial assumptions are those on mortality and disability, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also, assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

The insurance liability was EUR 15,001m (EUR 15,931m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policies for investment properties are described in section 18 "Investment properties".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment properties were EUR 1,607m (EUR 1,448m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases

Nordea's accounting policies for leases are described in section 15 "Leasing".

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease 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. The carrying amount of these properties at the time of disposal was EUR 1.5bn.

More information on lease contracts can be found in Note G21 "Leasing".

Classification of additional tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of 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 Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

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.

G1. Accounting policies, cont.

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.

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.

Judgement also has to be exercised when assessing if a holding of a significant, but less than majority, share of voting rights constitute a so called de facto control and to what extent potential voting rights need to be considered in the control assessment. Nordea's assessment is that Nordea does currently not control any entities where the share of voting rights is below 50%.

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G11 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 164m (EUR 118m) at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G31 "Provisions" and Note G36 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank Abp, and those entities that the parent company controls. Control exists when Nordea 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, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

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

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

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

Note P21 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures

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 or joint control over those policies.

The equity method of accounting is also used for joint ventures where Nordea has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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 or joint ventures. Other transactions between Nordea and its associated undertaking or joint ventures are not eliminated.

Note G19 "Investments in associated undertakings and joint ventures" lists the major associated undertakings in the Nordea 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

G1. Accounting policies, cont.

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 G47 "Interests in structured entities".

Currency translation of foreign entities/branches

The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank Abp. The current method is used when translating the financial statements of foreign entities and branches into EUR from their functional currency. The assets and liabilities of foreign entities and branches 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.

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

Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Information on the most important exchange rates is disclosed in the separate section 29 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

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

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

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

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

Interest income is presented on two rows in the income statement, Interest income calculated using the effective interest rate method and Other interest income. On the row Interest income calculated using the effective interest method, Nordea present interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. This line items also includes the effect from hedge accounting relating to these assets. All other interest income is presented on the income statement row Other interest income, and consists mainly of interest income on lending held at fair value in Denmark.

Net fee and commission income

Nordea earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received.

The major part of the revenues classified as "Commission income" constitutes revenue from contracts with customers according to IFRS 15. Fee income is recognised either when or as performance obligations are satisfied.

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount, and the right to the fee, corresponds to the value received by the customer. Variable fees that are based on relative performance compared with a benchmark are in asset management rare and they are normally fixed and recognised at least each reporting date. Variable fees that are not fixed at the reporting date cannot generally be recognised as the outcome is uncertain and subject to market development.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance contracts and investment contracts with policyholders. Investments contracts are contracts that do not include enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for the contract administration. The fee income is recognised over time when the services are performed. These contracts do generally not include any up-front fees.

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Card fees are categorised as interchange fees that are recognised at a point of time, when the customer uses the services, and cardholder fees that are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The amount of loan syndication fees, as well as other transaction-based fees, received are recognised at a point when the per-

G1. Accounting policies, cont.

formance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as “Fee and commission income” and “Fee and commission expense” respectively. Other fee income is generally transaction based.

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

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments and investment properties 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 and Nordea Life & Pensions are classified as “Net result from items at fair value” in the income statement. Also, the interest on the net funding of the operations in Markets is recognised on this line.

Also, the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Financial assets at fair value through other comprehensive income 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. Impairment losses from instruments within other categories are recognised in the items ”Net loan losses” or “Impairment of securities held as financial non-current assets” (see also the sub-sections ”Net loan losses” and “Impairment of securities held as financial non-current assets” below).

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

The income recognition and descriptions of the lines relating to life insurance are described in section 7 “Income recognition life insurance” below.

Profit from companies accounted for under the equity method

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

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

The change in Nordea’s share of the net assets is generally based on monthly reporting from the associated undertakings and joint ventures. For some associated undertakings and joint ventures not individually significant the change in Nordea’s share of the net assets is based on the external reporting of the associated undertakings and the joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and the joint ventures is, if applicable, adjusted to comply with Nordea’s accounting policies.

Other operating income

Net gains from divestments of shares in group undertakings, associated undertakings and joint ventures 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 categories Amortised cost and Fair value through other comprehensive income (see section 13 “Financial instruments”), in the items “Loans to central banks”, “Loans to credit institutions”, “Loans to the public” and "Interest-bearing securities" 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 14 “Loans to the public/credit institutions”.

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above is reported under "Net result from items at fair value".

Impairment of securities held as financial non-current assets

Impairment on investments in associated undertakings and joint ventures 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 category Amortised cost are disclosed in section 13

G1. Accounting policies, cont.

"Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders".

The total income from life insurance mainly consists of the following components:
- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income", together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life insurance" within Note G5 "Net result from items at fair value".

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as Health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G5 "Net result from items at fair value". The policyholder's part of the result is included in the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 "Net result from items at fair value" as for any other investment in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders capital in the Nordea Life & Pensions group).

The note line "Change in technical provisions, Life insurance" in Note G5 "Net result from items at fair value" includes:
- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

The note line "Change in collective bonus potential, Life insurance" in Note G5 "Net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "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.

Loans where cash flows are modified, or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

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

G1. Accounting policies, cont.

deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognized as "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 13 "Financial instruments", as well as Note G43 "Transferred assets and obtained collaterals".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

10. Hedge accounting

As a part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18.

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:

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

Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

The EU carve out version 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.

At inception, Nordea formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

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.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management"in the Board of Directors' report and Note G18. 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 the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

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.

Hedge effectiveness

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.

If the hedging relationship does not fulfil the hedge accounting requirements, the 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.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items

G1. Accounting policies, cont.

- Disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting

In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18, cash flow hedge accounting is applied when hedging the exposure to variability 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 and when hedging interest rate risk in lending with floating interest rates.

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. When hedging the interest rate risk in lending with floating interest rates Nordea uses interest rate swaps as hedging instruments, which are always held at fair value.

Hedge effectiveness

The hypothetical derivative method is used when measuring the effectiveness retrospectively 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 hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. 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.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

Hedges of net investments

In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18, Nordea hedges its translation risk. Translation risk is defined as the risk of loss from equity capital investment in foreign operations that are denominated in a foreign currency other than the Group reporting currency (EUR). The hedging instruments used by Nordea are FX swaps.

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Hedge ineffectiveness can arise to the extent the hedging instruments exceed in nominal terms the risk exposure from the foreign operations. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

See also section 9 "Translation of assets and liabilities denominated in foreign currencies".

11. Determination of fair value of financial instruments

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

Fair value is defined as the 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.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. 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)

G1. Accounting policies, cont.

- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

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

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

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

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

Note G40 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

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

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

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

For further information, see Note G40 "Assets and liabilities at fair value".

12. 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 or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time

13. Financial instruments

Classification of financial instruments

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

Financial assets:

- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial asset at fair value through other comprehensive income

Financial liabilities:

- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial assets is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

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 the table "Classification of assets and liabilities under IFRS 9" above the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, includ-

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ing 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. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see Note G1 section 6, "Net interest income". For information about impairment under IFRS 9, see section 14 below.

Interest on assets and liabilities classified at amortised cost is recognised in the item "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reversed repurchase/repurchase agreement and securities borrowing/lending agreements in Markets and the mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest bearing securities mainly related to a portfolio of interest bearing securities in Life & Pension in Norway, subordinated liabilities and debt securities in issue, except for bonds issued in Nordea Kredit Realkreditaktieselskab and issued structured bonds in Markets.

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; Mandatorily measured at fair value through profit and loss and Designated at fair value through profit or loss (fair value option).

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares, the mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policy holders. The deposits are invested in different types of financial asset on behalf of the customer and policyholders.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit and loss and if the bonds were measured at amortised cost this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value including changes in credit risk recognised in profit or loss.

All assets in Nordea Life & Pension held under investment contracts are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. Changes in own credit risk is recognised in profit and loss as recognising this change in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in Note 1 section 19 "Liabilities to policyholders"), except for a portfolio of interest bearing securities in Norway, are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value on these issues structured bonds is recognised in profit and loss except for the changes in credit risk that is recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value".

Financial asset at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. 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", foreign exchange effects in "Net result from items at fair value" and impairment losses in the item "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see section 14 below.

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 issu-

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ance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

For index-linked bonds issued by Markets Nordea applies the fair value option 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" and presented as "Debt securities in issue" on the balance sheet.

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.

Exchanged 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, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are offset on the balance sheet if the transaction currency and the central counterparty is the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not offset on the balance sheet.

In addition, loans and deposits related to repurchase and reversed repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposit related to repurchase and reversed repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and the liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

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.

14. Loans to the public/credit institutions

Scope

Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 13 above and Note G39 on "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance

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account are recognised in the income statement and classified as "Net loan losses".

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

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net loan losses". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing

Nordea classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Nordea monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section. Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Model based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion. Assets where the relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points. For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2.

Nordea does not use the "low credit risk exemption" in the banking operations but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions.

Write-offs

A write-off is a de-recognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written-off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (list not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written-off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of

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the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

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 and modifications
In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its financial difficulties 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. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

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 Fair value through profit or loss and measured at fair value. Changes in fair values are recognized in the income statement under the line "Net result from items at fair value".

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

15. Leasing
Nordea as lessor
Finance leases

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

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as 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.

Nordea as lessee
Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

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

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased 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 amortised using the effective interest method which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

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

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

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goodwill, IT-development/computer software and customer related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software

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

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

Customer related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

Goodwill and IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk-free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G20 "Intangible assets" for more information on the impairment testing.

17. 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 follow the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

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

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

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policy-

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holders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (Collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

G1. Accounting policies, cont.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank Abp by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

23. 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 26 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. 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 in Denmark, but also plans in other countries, 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 G32 "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

G1. Accounting policies, cont.

asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

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. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

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

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

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

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

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

Additional Tier 1 capital holders
Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of 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 Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Invested unrestricted equity/Share premium reserve
The 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 reserves for cash flow hedges, financial assets classified into the category Financial assets at fair value through other comprehensive income 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, Nordea's share of the earnings in associated undertakings and joint ventures, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares
Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also, own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

25. 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 in accordance with IFRS9. 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 "Commitments".

26. Share-based payment
Equity-settled programmes
Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these

G1. Accounting policies, cont.

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 G7 "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 G7 "Staff costs".

27. Related party transactions
Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings and joint ventures
- 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 G7 "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 Nordea but do not control those policies.

Group undertakings
For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P21 "Investments in group undertakings".

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

Associated undertakings and joint ventures
For the definition of associated undertakings and joint ventures, see section 5 "Principles of consolidation".

Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G19 "Investments in associated undertakings and joint ventures".

Key management personnel
Key management personnel include the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties
Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

28. Presentation of disposal groups held for sale
Assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" respectively as from the classification date. Financial instruments continue to be measured under IAS 39, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

29. Exchange rates

	Jan–Dec 2018	Jan–Dec 2017
EUR 1 = SEK		
Income statement (average)	10.2608	9.6378
Balance sheet (at end of year)	10.2330	9.8438
EUR 1 = DKK		
Income statement (average)	7.4533	7.4387
Balance sheet (at end of year)	7.4672	7.4449
EUR 1 = NOK		
Income statement (average)	9.6033	9.3317
Balance sheet (at end of year)	9.9470	9.8403
EUR 1 = RUB		
Income statement (average)	74.0484	65.9190
Balance sheet (at end of year)	79.3826	69.3920

G2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Compared with the 2017 Annual Report changes in the basis of segmentation were made following the decision to reorganise the segment Business & Commercial Banking into new operating segments and also reorganise the Segment Wholesale Banking into new operating segements. Commercial & Business Banking consists of the two new operating segments Business Banking and Business Banking Direct, instead of the earlier operating segments Commercial Banking and Business Banking. In Wholesale Banking the earlier reported segment Shipping Offshore & Oil Sevices has been merged into Coporate & Investment Banking and the new segment Financial Institutions Group & International Banks has been established. The changes are reflected in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G2. Comparative figures have been restated accordingly.

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with further breakdown on operating segments, and for the operating segment Group Finance & Treasury. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations, as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Business Banking and Business Banking Direct work with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The business area also consists of Transaction Banking, which include Cards, Trade Finance and Cash Management, and Nordea Finance. These units services both personal and corporate customers across the Nordea Group.

Wholesale Banking provides banking and other financial solutions to large Nordic and international corporates as well as institutional and public companies. The division Corporate & Investment Banking is a customer oriented organisation serving the largest globally operating corporates. The division Financial Institutions Group & International Banks is 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. Nordea Bank Russia offers a full range of bank services to corporate customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Asset & Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions which is not allocated to the main business areas.

Group Finance & Treasury's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance & Treasury originates from Group Treasury & ALM.

G2. Segment reporting, cont.

Income statement 2018

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Manage-ment	Group Finance & Treasury	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,067	1,276	858	65	52	13	4,331	–7	4,324
Net fee and commission income	1,219	566	475	1,449	–19	0	3,690	–697	2,993
Net result from items at fair value	170	298	407	166	68	–14	1,095	–7	1,088
Profit from associated undertakings accounted for under the equity method	0	9	–	13	8	91	121	3	124
Other income	8	21	1	21	1	128	180	296	476
Total operating income	**3,464**	**2,170**	**1,741**	**1,714**	**110**	**218**	**9,417**	**–412**	**9,005**
- of which internal transactions[1]	–538	–247	–473	–16	1,227	47	0	–	–
Staff costs	–768	–439	–501	–458	–129	–25	–2,320	–678	–2,998
Other expenses	–1,005	–700	–352	–300	131	25	–2,201	802	–1,399
Depreciation, amortisation and impairment charges of tangible and intangible assets	–141	–15	–55	–9	–4	0	–224	–258	–482
Total operating expenses	**–1,914**	**–1,154**	**–908**	**–767**	**–2**	**0**	**–4,745**	**–134**	**–4,879**
Profit before loan losses	**1,550**	**1,016**	**833**	**947**	**108**	**218**	**4,672**	**–546**	**4,126**
Net loan losses	–79	–24	–92	–6	0	21	–180	7	–173
Operating profit	**1,471**	**992**	**741**	**941**	**108**	**239**	**4,492**	**–539**	**3,953**
Income tax expense	–353	–238	–178	–226	–23	–58	–1,076	204	–872
Net profit for the year	**1,118**	**754**	**563**	**715**	**85**	**181**	**3,416**	**–335**	**3,081**
Balance sheet 31 Dec 2018, EURbn									
Loans to the public[2]	143	82	49	7	–	1	282	26	308
Deposits and borrowings from the public[2]	69	41	36	9	–	1	156	9	165

Income statement 2017

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Manage-ment	Group Finance & Treasury	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,210	1,232	826	80	75	131	4,554	112	4,666
Net fee and commission income	1,295	649	552	1,577	–9	28	4,092	–723	3,369
Net result from items at fair value	49	255	628	291	97	9	1,329	–1	1,328
Profit from associated undertakings accounted for under the equity method	1	13	–	0	0	1	15	8	23
Other income	6	31	4	18	1	6	66	17	83
Total operating income	**3,561**	**2,180**	**2,010**	**1,966**	**164**	**175**	**10,056**	**–587**	**9,469**
- of which internal transactions[1]	–479	–253	–311	–7	1,058	–8	0	–	–
Staff costs	–792	–500	–597	–487	–127	–48	–2,551	–661	–3,212
Other expenses	–989	–727	–308	–334	140	–99	–2,317	695	–1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	–110	–14	–28	–12	0	0	–164	–104	–268
Total operating expenses	**–1,891**	**–1,241**	**–933**	**–833**	**13**	**–147**	**–5,032**	**–70**	**–5,102**
Profit before loan losses	**1,670**	**939**	**1,077**	**1,133**	**177**	**28**	**5,024**	**–657**	**4,367**
Net loan losses	–43	–84	–224	1	0	–11	–361	–8	–369
Operating profit	**1,627**	**855**	**853**	**1,134**	**177**	**17**	**4,663**	**–665**	**3,998**
Income tax expense	–391	–205	–205	–261	–42	–4	–1,108	158	–950
Net profit for the year	**1,236**	**650**	**648**	**873**	**135**	**13**	**3,555**	**–507**	**3,048**
Balance sheet 31 Dec 2017, EURbn									
Loans to the public[2]	141	80	48	8	–	4	281	29	310
Deposits and borrowings from the public[2]	68	41	40	10	–	4	163	9	172

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined inter-segment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

2) The volumes are only disclosed separate for operating segments if separately reported to the Chief Operating Decision Maker.

G2. Segment reporting, cont.

Break-down of Personal Banking

Income statement, EURm	Personal Banking Denmark 2018	Personal Banking Denmark 2017	Personal Banking Finland 2018	Personal Banking Finland 2017	Personal Banking Norway 2018	Personal Banking Norway 2017	Personal Banking Sweden 2018	Personal Banking Sweden 2017	Personal Banking Other[1] 2018	Personal Banking Other[1] 2017	Total Personal Banking 2018	Total Personal Banking 2017
Net interest income	576	637	424	441	375	366	709	770	−17	−4	2,067	2,210
Net fee and commission income	312	363	366	390	122	120	432	423	−13	−1	1,219	1,295
Net result from items at fair value	112	−6	18	21	14	11	25	20	1	3	170	49
Profit from associated undertakings accounted for under the equity method	–	–	–	–	–	–	–	–	0	1	0	1
Other income	−3	−2	1	4	2	1	5	1	3	2	8	6
Total operating income	**997**	**992**	**809**	**856**	**513**	**498**	**1,171**	**1,214**	**−26**	**1**	**3,464**	**3,561**
- of which internal transactions	−172	−113	−92	−73	−163	−179	−110	−116	−1	2	−538	−479
Staff costs	−201	−203	−129	−153	−84	−79	−153	−163	−201	−194	−768	−792
Other expenses	−384	−371	−333	−319	−166	−162	−387	−371	265	234	−1,005	−989
Depreciation, amortisation and impairment charges of tangible and intangible assets	−10	−14	−7	−7	−2	−3	−4	−5	−118	−81	−141	−110
Total operating expenses	**−595**	**−588**	**−469**	**−479**	**−252**	**−244**	**−544**	**−539**	**−54**	**−41**	**−1,914**	**−1,891**
Profit before loan losses	**402**	**404**	**340**	**377**	**261**	**254**	**627**	**675**	**−80**	**−40**	**1,550**	**1,670**
Net loan losses	−24	−4	−33	−12	−2	−4	−19	−17	−1	−6	−79	−43
Operating profit	**378**	**400**	**307**	**365**	**259**	**250**	**608**	**658**	**−81**	**−46**	**1,471**	**1,627**
Income tax expense	−91	−96	−74	−88	−62	−60	−146	−158	20	11	−353	−391
Net profit for the year	**287**	**304**	**233**	**277**	**197**	**190**	**462**	**500**	**−61**	**−35**	**1,118**	**1,236**
Balance sheet 31 Dec, EURbn												
Loans to the public	36	36	32	32	29	27	46	46	–	–	143	141
Deposits and borrowings from the public	17	17	21	21	8	8	23	22	–	–	69	68

1) Personal Banking Other includes the areas COO, Products and HR.

Break-down of Commercial & Business Banking

Income statement, EURm	Business Banking 2018	Business Banking 2017	Business Banking Direct 2018	Business Banking Direct 2017	Commercial & Business Banking Other[1] 2018	Commercial & Business Banking Other[1] 2017	Total Commercial & Business Banking 2018	Total Commercial & Business Banking 2017
Net interest income	1,045	1,008	206	214	25	10	1,276	1,232
Net fee and commission income	462	522	166	176	−62	−49	566	649
Net result from items at fair value	290	250	17	19	−9	−14	298	255
Profit from associated undertakings accounted for under the equity method	5	9	–	–	4	4	9	13
Other income	1	1	0	0	20	30	21	31
Total operating income	**1,803**	**1,790**	**389**	**409**	**−22**	**−19**	**2,170**	**2,180**
- of which internal transactions	−241	−258	−5	−3	−1	8	−247	−253
Staff costs	−170	−186	−51	−56	−218	−258	−439	−500
Other expenses	−664	−709	−195	−197	159	179	−700	−727
Depreciation, amortisation and impairment charges of tangible and intangible assets	−5	−5	−2	−2	−8	−7	−15	−14
Total operating expenses	**−839**	**−900**	**−248**	**−255**	**−67**	**−86**	**−1,154**	**−1,241**
Profit before loan losses	**964**	**890**	**141**	**154**	**−89**	**−105**	**1,016**	**939**
Net loan losses	−14	−88	−3	10	−7	−6	−24	−84
Operating profit	**950**	**802**	**138**	**164**	**−96**	**−111**	**992**	**855**
Income tax expense	−228	−195	−33	−39	23	29	−238	−205
Net profit for the year	**722**	**607**	**105**	**125**	**−73**	**−82**	**754**	**650**
Balance sheet 31 Dec, EURbn								
Loans to the public	70	68	12	12	–	–	82	80
Deposits and borrowings from the public	30	30	11	11	–	–	41	41

1) Commercial & Business Banking Other includes the areas COO, Transaction Banking, Digital Banking and HR.

G2. Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Investment Banking 2018	2017	Financial Institutions Group & International Banks 2018	2017	Banking Russia 2018	2017	Capital Markets unallocated 2018	2017	Wholesale Banking Other[1] 2018	2017	Total Wholesale Banking 2018	2017
Net interest income	814	769	24	1	59	93	–4	–28	–35	–9	858	826
Net fee and commission income	399	455	133	150	11	16	–65	–69	–3	0	475	552
Net result from items at fair value	146	92	139	183	9	14	117	352	–4	–13	407	628
Profit from associated undertakings accounted for under the equity method	–	–	–	–	–	–	–	–	–	–	–	–
Other income	0	0	0	0	0	0	1	1	0	3	1	4
Total operating income	**1,359**	**1,316**	**296**	**334**	**79**	**123**	**49**	**256**	**–42**	**–19**	**1,741**	**2,010**
- of which internal transactions	–314	–256	–42	–41	–54	–66	–58	55	–5	–3	–473	–311
Staff costs	–99	–101	–10	–8	–23	–31	–218	–272	–151	–185	–501	–597
Other expenses	–377	–384	–201	–218	–18	–17	92	146	152	165	–352	–308
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–2	–3	0	0	–53	–25	–55	–28
Total operating expenses	**–476**	**–485**	**–211**	**–226**	**–43**	**–51**	**–126**	**–126**	**–52**	**–45**	**–908**	**–933**
Profit before loan losses	**883**	**831**	**85**	**108**	**36**	**72**	**–77**	**130**	**–94**	**–64**	**833**	**1,077**
Net loan losses	–43	–203	0	0	–49	–20	0	0	0	–1	–92	–224
Operating profit	**840**	**628**	**85**	**108**	**–13**	**52**	**–77**	**130**	**–94**	**–65**	**741**	**853**
Income tax expense	–201	–151	–20	–26	3	–13	19	–31	21	16	–178	–205
Net profit for the year	**639**	**477**	**65**	**82**	**–10**	**39**	**–58**	**99**	**–73**	**–49**	**563**	**648**
Balance sheet 31 Dec, EURbn												
Loans to the public	45	44	2	2	2	2	–	–	–	–	49	48
Deposits and borrowings from the public	25	27	10	12	1	1	–	–	–	–	36	40

1) Wholesale Banking Other includes the areas International Divisions, COO and HR.

Break-down of Asset & Wealth Management

Income statement, EURm	Private Banking 2018	2017	Asset Management 2018	2017	Life & Pensions unallocated 2018	2017	Wealth Management Other[1] 2018	2017	Total Asset & Wealth Management 2018	2017
Net interest income	72	82	–3	0	0	0	–4	–2	65	80
Net fee and commission income	425	451	903	965	319	367	–198	–206	1,449	1,577
Net result from items at fair value	31	56	9	0	127	234	–1	1	166	291
Profit from associated undertakings accounted for under the equity method	0	0	0	0	13	0	0	0	13	0
Other income	5	5	9	10	11	13	–4	–10	21	18
Total operating income	**533**	**594**	**918**	**975**	**470**	**614**	**–207**	**–217**	**1,714**	**1,966**
- of which internal transactions	–13	–8	1	2	0	0	–4	–1	–16	–7
Staff costs	–162	–162	–165	–164	–85	–117	–46	–44	–458	–487
Other expenses	–213	–259	–131	–113	–68	–84	112	122	–300	–334
Depreciation, amortisation and impairment charges of tangible and intangible assets	–1	–9	0	0	–6	–4	–2	1	–9	–12
Total operating expenses	**–376**	**–430**	**–296**	**–277**	**–159**	**–205**	**64**	**79**	**–767**	**–833**
Profit before loan losses	**157**	**164**	**622**	**698**	**311**	**409**	**–143**	**–138**	**947**	**1,133**
Net loan losses	–6	1	0	0	0	0	0	0	–6	1
Operating profit	**151**	**165**	**622**	**698**	**311**	**409**	**–143**	**–138**	**941**	**1,134**
Income tax expense	–36	–38	–149	–161	–75	–94	34	32	–226	–261
Net profit for the year	**115**	**127**	**473**	**537**	**236**	**315**	**–109**	**–106**	**715**	**873**
Balance sheet 31 Dec, EURbn										
Loans to the public	7	8	–	–	–	–	–	–	7	8
Deposits and borrowings from the public	9	10	–	–	–	–	–	–	9	10

1) Wealth Management Other includes the areas Savings, COO and HR.

G2. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2018	2017	2018	2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Total Operating segments	9,417	10,056	4,492	4,663	282	281	156	163
Group functions[1]	31	25	–139	–203	–	–	–	–
Unallocated items	279	20	137	86	29	28	11	9
Eliminations	–7	–13	–	–	–	–	–	–
Differences in accounting policies[2]	–715	–619	–537	–548	–3	1	–2	0
Total	**9,005**	**9,469**	**3,953**	**3,998**	**308**	**310**	**165**	**172**

1) Consists of Group Risk Management and Control, Group Internal Audit, Chief of staff office, Group Corporate Centre and Group Compliance.
2) Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2018	2017
Banking products	5,644	5,742
Capital Markets products	931	1,354
Savings products & Asset management	1,440	1,542
Life & Pensions	468	622
Other	522	209
Total	**9,005**	**9,469**

Banking products consists of three different product types. Account products includes 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 includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company 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 Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2018	2017	31 Dec 2018	31 Dec 2017
Sweden	2,503	2,062	144	167
Finland	1,729	1,963	133	104
Norway	1,660	1,688	86	103
Denmark	2,490	2,789	168	174
Other	623	967	20	34
Total	**9,005**	**9,469**	**551**	**582**

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3. Net interest income

Interest income

EURm	2018	2017
Interest income calculated using the effective interest rate method	5,843	6,132
Other interest income	1,410	1,443
Interest income	**7,253**	**7,575**

EURm	2018	2017
Loans to credit institutions	414	303
Loans to the public	5,857	6,230
Interest-bearing securities	429	418
Other interest income	553	624
Interest income[1]	**7,253**	**7,575**

1) Of which contingent leasing income amounts to EUR 70m (EUR 65m). 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.

G3. Net interest income, cont.

Interest expense

EURm	2018	2017
Deposits by credit institutions	–272	–182
Deposits and borrowings from the public	–409	–367
Debt securities in issue	–2,559	–2,583
Subordinated liabilities	–335	–337
Other interest expenses[1]	646	560
Interest expense	**–2,929**	**–2,909**
Net interest income	**4,324**	**4,666**

1) 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 expenses, for further information see Note G1 "Accounting policies".

Interest from categories of financial instruments

EURm	2018	2017[1]
Financial assets at fair value through other comprensive income	253	274
Financial assets at amortised cost	5,675	5,858
Financial assets at fair value through profit or loss (related to hedging instruments)	–85	0
Interest income calculated using the effective interest rate method	**5,843**	**6,132**
Financial assets at fair value through profit or loss	1,410	1,443
Other interest income	**1,410**	**1,443**
Interest income	**7,253**	**7,575**
Financial liabilities at amortised cost	–3,046	–2,884
Financial liabilities at fair value through profit or loss	117	–25
Interest expense	**–2,929**	**–2,909**

1) The comparable figures for 2017 are based on the IAS 39 requirements but are comparable with the figures for 2018 which are based on IFRS 9 requirements.

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

G4. Net fee and commission income

EURm	2018	2017
Asset management commissions	1,440	1,543
- of which income	1,741	1,883
- of which expense	–301	–340
Life & Pension	258	313
- of which income	290	372
- of which expense	–32	–59
Deposit Products	23	27
- of which income	23	27
Brokerage, securities issues and corporate finance	173	224
- of which income	280	292
- of which expense	–107	–68
Custody and issuer services	49	59
- of which income	90	101
- of which expense	–41	–42
Payments	302	307
- of which income	419	434
- of which expense	–117	–127
Cards	218	228
- of which income	341	363
- of which expense	–123	–135

EURm	2018	2017
Lending Products	399	465
- of which income	425	487
- of which expense	–26	–22
Guarantees	116	143
- of which income	133	150
- of which expense	–17	–7
Other	15	60
- of which income	104	123
- of which expense	–89	–63
Total	**2,993**	**3,369**

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 383m (EUR 450m).

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 amounts to EUR 2,311m (EUR 2,547m). The corresponding amounts for fee expenses is EUR –32m (EUR –59m).

G4. Net fee and commission income, cont.

Break down by Business Areas

EURm, 2018	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance & Treasury	Other & Elimination	Nordea Group
Asset management commissions	160	34	11	1,235	0	0	1,440
Life & Pension	51	22	4	181	0	0	258
Deposit Products	11	11	1	0	0	0	23
Brokerage, securities issues and corporate finance	25	20	102	31	–5	0	173
Custody and issuer services	8	7	35	9	–10	0	49
Payments	88	163	55	0	–4	0	302
Cards	181	22	15	0	0	0	218
Lending Products	118	100	181	0	0	0	399
Guarantees	6	40	70	0	0	0	116
Other	23	18	–3	–13	–1	–9	15
Total	**671**	**437**	**471**	**1,443**	**–20**	**–9**	**2,993**

G5. Net result from items at fair value

EURm	2018	2017
Equity related instruments	226	370
Interest related instruments and foreign exchange gains/losses	684	712
Other financial instruments (including credit and commodities)	55	20
Investment properties	0	–3
Life insurance[1,2]	123	229
Total	**1,088**	**1,328**

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.
2) Premium income amounts to EUR 840m (EUR 2,833m)

Break-down of life insurance

EURm	2018	2017
Equity related instruments	–515	1,344
Interest related instruments and foreign exchange gains/losses	–65	715
Other financial instruments	0	4
Investment properties	125	195
Change in technical provisions	20	–2,056
Change in collective bonus potential	512	7
Insurance risk income	91	177
Insurance risk expense	–45	–157
Total	**123**	**229**

Net result from categories of financial instruments

EURm	2018
Financial assets at fair value through other comprehensive income	–45
Financial assets designated at fair value through profit or loss	–41
Financial liabilities designated at fair value throuh profit or loss	1,385
Financial assets and liabilities mandatorily at fair value through profit or loss[1]	–1,885
Financial assets at amortised cost[2]	104
Financial liabilities at amortised cost	315
Foreign exchange gains/losses excluding currency hedges	512
Non-financial assets and liabilities	743
Total	**1,088**

1) Of which amortised deferred day one profit amounts to EUR 39m.
2) Gain or loss recognised in the income statement arising from derecognition of financial assets measured at amortised cost amounts to EUR 53m of which EUR 53m are gains and EUR 0m are losses. The reason for derecognition is that the assets have been prepaid by the customer or sold.

Net result from categories of financial instruments[1]

EURm	2017
Available for sale assets, realised	0
Financial instruments designated at fair value through profit or loss	33
Financial instruments held for trading[2]	434
Financial instruments under fair value hedge accounting	43
- of which net result on hedging instruments	–906
- of which net result on hedged items	949
Financial assets measured at amortised cost[3]	–2
Financial liabilities measured at amortised cost	–39
Foreign exchange gains/losses excluding currency hedges	635
Other	–5
Financial risk income, net Life insurance[4]	209
Insurance risk income, net Life insurance	20
Total	**1,328**

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, i.e. before eliminations of intra-group transactions.
2) Of which amortised deferred day one profits amounts to EUR 54m.
3) Of which EUR -2m related to instruments classified into the category "Loans and receivables" and EUR -m related to instruments classified into the category "Held to maturity".
4) Premium income amounts to EUR 2,833m. .

G6. Other operating income

EURm	2018	2017
Divestments of shares[1]	385	7
Income from real estate	2	2
Sale of tangible and intangible assets	9	9
Other	80	65
Total	**476**	**83**

1) Gain related to sale of Nordea Liv & Pension Denmark EUR 262m, gain related to divestment of UC EUR 87m and sale of Ejendomme EUR 36m.

G7. Staff costs

EURm	2018	2017
Salaries and remuneration (specification below)[1]	–2,361	–2,508
Pension costs (specification below)	–292	–302
Social security contributions	–434	–496
Other staff costs[2]	89	94
Total	**–2,998**	**–3,212**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	–22	–24
- Performance-related compensation	–11	–11
- Allocation to profit-sharing	0	0
Total	**–33**	**–35**
To other employees	–2,328	–2,473
Total	**–2,361**	**–2,508**

1) Of which allocation to profit-sharing 2018 EUR 57m (EUR 27m), consisting of a new allocation of EUR 46m (EUR 29m) and an adjustment related to prior years of EUR 10m (EUR -2m).
2) Including capitalisation of IT-project with EUR 190m (EUR 211m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are also included. Executives amount to 130 (150) individuals.

Pension costs[1]

EURm	2018	2017
Defined benefits plans (Note G32)[2]	–43	–44
Defined contribution plans	–249	–258
Total	**–292**	**–302**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 3m (EUR 3m) and pension obligations to EUR 13m (EUR 14m).
2) Excluding social security contributions. Including social security contributions EUR 54m (EUR 51m).

G7. Staff costs, cont.

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2018 resolved the annual remuneration to the Board of Directors (The Board) amounting to for the Chairman EUR 294,600, to the Deputy Chairman EUR 141,300 and to other members EUR 91,950. The annual remuneration was unchanged in comparison with 2017.

In addition, annual remuneration paid for board committee work on the Compliance Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 48,650 for the committee chairmen and EUR 29,600 for the other members. The remuneration for board committee work on the Board Remuneration Committee amounts to EUR 36,050 for the committee chairman and EUR 25,750 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea.

Remuneration to the Board of Directors[1]

EUR	2018	2017
Chairman of the Board:		
Björn Wahlroos	320,045	320,009
Vice Chairman of the Board:		
Marie Ehrling[3]	–	42,682
Lars G Nordström	180,323	157,742
Other Board members[2]:		
Tom Knutzen[3]	–	30,896
Nigel Hinshelwood[5]	120,818	–
Torbjörn Magnusson[5]	91,552	–
Robin Lawther	127,879	125,264
Sarah Russell	140,467	134,804
Silvija Seres	121,435	120,379
Kari Stadigh[4]	34,566	137,351
Birger Steen	140,467	134,804
Pernille Erenbjerg	121,434	93,965
Lars Wollung[4]	29,882	92,031
Maria Varsellona	121,434	93,965
Total	**1,550,302**	**1,483,892**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in four equal instalments, in SEK up until the third quarter and in EUR for the fourth quarter. For accounting purposes, the amounts paid out in SEK are converted back into EUR, using the average exchange rate each year.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2017.
4) Resigned as member of the Board as from the AGM 2018.
5) New member of the Board as from the AGM 2018.

G7. Staff costs, cont.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

	Fixed salary[1]		GEM Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2018	2017	2018	2017	2018	2017	2018	2017
Chief Executive Officer (CEO):								
Casper von Koskull[3]	1,334,678	1,354,462	691,000	735,925	92,571	24,744	2,118,249	2,115,131
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[4]	1,258,392	1,228,571	775,699	818,181	58,399	54,048	2,092,490	2,100,800
Group Executive Management (GEM):								
9 (8) individuals excluding CEO and Deputy CEO[5]	5,600,291	5,273,893	3,298,847	3,625,087	86,987	99,802	8,986,125	8,998,782
Total	**8,193,361**	**7,856,926**	**4,765,546**	**5,179,193**	**237,957**	**178,594**	**13,196,864**	**13,214,713**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).
2) Up until 2012 the CEO and members of GEM were offered a Variable Salary Part (VSP) and a share based Long Term Incentive Programme (LTIP). Since 2013, a GEM Executive Incentive Programme (GEM EIP) has been offered. The outcome from GEM EIP 2018 has been expensed in full in 2018 but will be paid out over a five-year deferral period with forfeiture clauses compliant to remuneration regulations. The GEM EIP 2018 is indexed with Nordea's total shareholder return (TSR) excluding dividends during the deferral period.
3) The annual fixed base salary as CEO is in 2018 SEK 13,054,000, converted to EUR 1,354,462 as from 1 October 2018. Benefits includes costs related to relocation to Finland of EUR 53,112.
4) The annual fixed base salary as Group COO and Deputy CEO is in 2018 DKK 8,560,000 (EUR 1,148,487). Car and holiday allowance amount to DKK 669,695 (EUR 89,852). Benefits 2017 have been restated.
5) Remuneration to GEM members is included for the period they have been appointed. On 28 February 2018 one GEM member left Nordea and one has resigned as GEM member by 30 November 2018, before leaving Nordea. Three new GEM members were appointed during the year, on 1 March 2018, 1 September 2018 and 1 December 2018.

Long Term Incentive Programmes (LTIP) 2011–2012

	Number of outstanding shares[1]		
	LTIP 2012	LTIP 2011	Total
Chief Executive Officer (CEO):			
Casper von Koskull	19,312	7,501	26,813
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):			
Torsten Hagen Jørgensen	17,912	6,712	24,624
Total	**37,224**	**14,213**	**51,437**
Former Chief Executive Officer (Former CEO):			
Christian Clausen	27,413	10,362	37,775
Total	**64,637**	**24,575**	**89,212**

1) The LTIPs were fully expensed in May 2015. All shares in LTIPs are fully vested and consequently not conditional. 60% of the vested shares are deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. The numbers of outstanding shares are presented as of 31 December 2018. No other GEM members have outstanding LTIP shares by 31 December 2018.

Salary and benefits

The BRC prepares alterations in salary levels and outcome of GEM Executive Incentive Programme (GEM EIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO) and members of Group Executive Management (GEM), for resolution by the Board.

GEM EIP 2018, which is based on specific targets, can be a maximum of 100% of the fixed base salary. In accordance with remuneration regulations 40% of GEM EIP 2018 will be paid out in 2019, 30% will be deferred to 2022 and 30% to 2024. When amounts are paid out 50% will be subject to retention for 12 months.

Benefits include primarily car benefits, tax consultation and housing.

Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO 1 November 2015. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The annual fixed base salary as CEO was decided to be SEK 13,054,000 and was converted to EUR 1,354,462 as from 1 October 2018.

GEM EIP 2018 is based on specific targets and can amount to a maximum of 100% of the fixed base salary. For 2018 the outcome of the GEM EIP amounted to EUR 691,000.

The benefits for 2018 amounted to EUR 92,571 and include primarily car benefits and tax consultation, housing (as from 1 October 2018) and costs related to relocation to Finland.

The total earned remuneration for 2018, as CEO, based on the three components (excluding pension) amounted to EUR 2,118,249.

The CEO took part of the LTIPs from 2010 to 2012.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO 1 November 2015. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO was decided to be DKK 8,560,000 (EUR 1,148,487).

GEM EIP 2018 is based on specific targets and can amount to a maximum of 100% of the fixed base salary. For 2018 the outcome of the GEM EIP amounted to EUR 775,699.

The benefits for 2018 amounted to EUR 58,399 and include primarily housing benefits.

G7. Staff costs, cont.

The total earned remuneration for 2018, as Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 2,092,490.

The Group COO and Deputy CEO took part of the LTIPs until 2012.

Pension

Chief Executive Officer (CEO)

During the period 1 January 2018 to 30 September 2018 the CEO had a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total was 30% of the fixed salary. Following the re-domiciliation to Finland the CEO is, as from 1 October 2018, covered by the Finnish statutory pension scheme and in addition has a defined contribution plan corresponding to 8.5% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed base salary.

Group Executive Management (GEM)

The pension agreements for the other GEM members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As per 31 December 2018 three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution is in total 30% of the fixed salary.

One member has pension in accordance with the local country statutory pension system in Finland. According to the statutory pension rules the part of GEM EIP 2017 outcome paid or retained in 2018 is included in the pensionable income

Three members have a defined contribution plan in accordance with local practises in Denmark. The pension contribution is in total 30% of the fixed base salary.

Two members do not have a pension agreement with Nordea.

Pension expense and pension obligation

	2018		2017	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Chief Executive Officer (CEO):				
Casper von Koskull	313,663	357,936	406,339	336,341
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen	344,546	–	345,224	–
Group Executive Management (GEM):				
9 (8) individuals excluding CEO and Deputy CEO[3]	872,073	777,583	870,088	649,295
Board members[4]:				
Lars G Nordström	–	312,465	–	324,843
Total	**1,530,282**	**1,447,984**	**1,621,651**	**1,310,479**
Former Chairman of the Board and CEO:				
Vesa Vaino[5]	–	4,844,682	–	5,215,266
Total	**1,530,282**	**6,292,666**	**1,621,651**	**6,525,745**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,471,537 (EUR 1,593,796) relates to defined contribution agreements. Contributions to the Finnish statutory pension schemes are reported as part of the social charges and thus excluded from the above disclosure.

2) The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Members of GEM included for the period they are appointed. The pension obligation is the value of pension liabilities towards three Swedish GEM members as of 31 December 2018.

4) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

5) The pension obligation for Former Chairman of the Board and CEO is mainly due to defined benefit pension rights earned in, and funded by, banks forming Nordea. The decrease in the pension obligation is mainly due to pension payments in 2018.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has a severance pay equal to 12 months' salary to be reduced by the salary he receives from another employment during these 12 months.

The Group COO and Deputy CEO and nine GEM members have a notice period of 6 months and Nordea a notice period of 12 months. A severance pay of up to 12 months' salary is provided to be reduced by the salary the executive receives from another employment during the severance pay period.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 79.

Additional disclosures for all Nordea employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting 28 March 2019.

G7. Staff costs, cont.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 27, amount to EUR 5m (EUR 4m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees. In Norway the employee interest rate for loans is variable and was at 31 December 2018 1.8%. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 50 Swedish price base amounts both on fixed- and variable interest rate loans. For interest on loans above the defined caps, the same terms apply as for premium customers. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Long Term Incentive Programmes

	2018			2017		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	147,251	441,753	147,251	221,561	664,683	221,561
Granted[1]	11,576	34,728	11,576	13,209	39,627	13,209
Forfeited	–	–	–	–4,521	–13,563	–4,521
Allotted	–89,522	–268,566	–89,522	–82,998	–248,994	–82,998
Outstanding at end of year[2]	**69,305**	**207,915**	**69,305**	**147,251**	**441,753**	**147,251**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	75,642	126,385	34,038	151,138	252,526	68,011
Granted[1]	5,946	9,935	2,676	8,923	14,909	4,015
Forfeited	–	–	–	–4,517	–7,548	–2,033
Allotted	–40,794	–68,160	–18,357	–79,902	–133,502	–35,955
Outstanding at end of year[2]	**40,794**	**68,160**	**18,357**	**75,642**	**126,385**	**34,038**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	19,193	20,275	8,634	41,311	43,640	18,585
Forfeited	–	–	–	–2,926	–3,091	–1,317
Allotted	–19,193	–20,275	–8,634	–19,192	–20,274	–8,634
Outstanding at end of year[2]	**0**	**0**	**0**	**19,193**	**20,275**	**8,634**
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no execise price for the deferred rights.

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 in 2013 introduced 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 direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2018 is paid no earlier than autumn 2022. 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 Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2018 is decided during spring 2019, and a reservation of EUR 35m excl. social costs is made 2018.

G7. Staff costs, cont.

80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, 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	
EURm	2018	2017
Opening balance	109	110
Reclassification to liabilities held for sale	–	–1
Deferred/earned during the year	45	49
TSR indexation during the year	–15	1
Payments during the year	–49	–48
Translation differences	–1	–2
Closing balance	**89**	**109**

1) Relates to a reclassification to liabilities held for sale.

Gender distribution

In the parent company´s Board of Directors 50% (50%) were men and 50% (50%) were women. In the Board of Directors of the Nordea Group companies, 70% (73%) were men and 30% (27%) were women. The corresponding numbers for Other executives were 72% (73%) men and 28% (27%) women.

Internal Boards consist mainly of management in Nordea, employee representatives excluded.

Average number of employees, Full-time equivalents

	Total		Men		Women	
	2018	2017	2018	2017	2018	2017
Denmark	8,505	9,136	4,826	5,417	3,679	3,719
Sweden	7,055	7,462	3,494	3,851	3,561	3,611
Finland	6,459	7,032	2,404	2,622	4,055	4,410
Norway	2,962	3,127	1,598	1,758	1,364	1,369
Poland	2,980	2,060	1,636	1,044	1,344	1,016
Russia	396	606	148	207	248	399
Estonia	253	502	78	116	175	386
Latvia	–	364	–	161	–	203
Luxembourg	434	451	245	254	189	197
Lithuania	–	305	–	117	–	188
United States	116	123	56	61	60	62
Singapore	75	81	32	37	43	44
United Kingdom	58	68	35	39	23	29
Germany	44	43	26	23	18	20
China	29	31	12	13	17	18
Switzerland	10	22	5	14	5	8
Italy	9	9	6	6	3	3
Spain	5	7	3	5	2	2
Brazil	2	5	2	5	–	0
France	3	3	3	3	–	0
Total average	**29,395**	**31,437**	**14,609**	**15,753**	**14,786**	**15,684**
Total number of employees (FTEs), end of period	**28,990**	**30,399**				

G8. Other expenses

EURm	2018	2017
Information technology	–484	–565
Marketing and representation	–60	–66
Postage, transportation, telephone and office expenses	–83	–101
Rents, premises and real estate	–312	–309
Other	–460	–581
Total	**–1,399**	**–1,622**

Auditors' fees

EURm	2018	2017
PricewaterhouseCoopers[1]		
Auditing assignments	–10	–7
Audit-related services	–1	–1
Tax advisory services	0	–1
Other assignments	–1	–2
Total	**–12**	**–11**

1) Of which Tax services EUR 0m (EUR 0.1m) and Other assignments EUR 0.5m (EUR 0,4m) refers to PricewaterhouseCoopers Oy in year 2018 and Öhrlings PricewaterhouseCoopers AB in year 2017.

G9. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2018	2017
Depreciation/amortisation		
Properties and equipment	–113	–106
Intangible assets	–194	–157
Total	**–307**	**–263**
Impairment charges		
Intangible assets	–175	–5
Total	**–175**	**–5**
Total	**–482**	**–268**

G10. Net loan losses

Based on IFRS 9

EURm, 2018	Loans to central banks and credit institutions[2]	Loans to the public[2]	Off balance sheet items[3]	Total
Net loan losses, stage 1	3	–14	–5	–16
Net loan losses, stage 2	10	51	–10	51
Net loan losses, non-defaulted	**13**	**37**	**–15**	**35**
Stage 3, defaulted				
Net loan losses, individually assessed, model based[1]	3	–47	–1	–45
Realised loan losses	–1	–465	–13	–479
Decrease of provisions to cover realised loan losses	–	280	13	293
Recoveries on previous realised loan losses	2	42	–	44
New/increase in provisions	–	–494	–60	–554
Reversals of provisions	0	456	77	533
Net loan losses, defaulted	**4**	**–228**	**16**	**–208**
Net loan losses	**17**	**–191**	**1**	**–173**

Based on IAS 39

EURm, 2017	Loans to central banks and credit institutions[2]	Loans to the public[2]	Off balance sheet items[3]	Total
Realised loan losses	–	–426	–9	–435
Decrease of provisions to cover realised loan losses	–	300	9	309
Recoveries on previous realised loan losses	–	54	–	54
New/increase in provisions	–1	–908	–92	–1,001
Reversals of provisions	1	642	61	704
Net loan losses	**0**	**–338**	**–31**	**–369**

1) Includes individually identified assets where the provision has been caclulated based on statistical models.
2) Provisions included in Note G13 "Loans and impairment".
3) Provisions included in Note G31 "Provisions".

G11. Taxes

Income tax expense

EURm	2018	2017
Current tax	–891	–1,022
Deferred tax	19	72
Total	**–872**	**–950**

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

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Finland (2017: Sweden) as follows:

EURm	2018	2017
Profit before tax	3,953	3,998
Tax calculated at a tax rate of 20.0% (22.0%)	–791	–880
Effect of different tax rates in other countries	–175	–23
Interest on subordinated debt	–18	–55
Income from associated undertakings	0	0
Tax-exempt income	158	21
Non-deductible expenses	–30	–3
Adjustments relating to prior years	17	–12
Utilization of non-capitalized tax losses carry-forwards from previous periods	0	2
Change of tax rate	10	–
Not creditable foreign taxes	–43	–
Tax charge	**–872**	**–950**
Average effective tax rate	22%	24%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2018	2017	2018	2017
Deferred tax related to:				
Tax losses carry-forward	105	11	–	–
Loans to the public	36	29	363	367
Derivatives	2	16	355	238
Intangible assets	3	5	63	37
Investment properties	–	0	34	91
Retirement benefit assets/obligations	39	22	30	43
Liabilities/provisions	66	83	32	24
Foreign tax credits	101	61	–	–
Other	7	4	24	35
Netting between deferred tax assets and liabilities	–195	–113	–195	–113
Total	**164**	**118**	**706**	**722**

EURm	2018	2017
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	44	44
Total	**44**	**44**

G12. Earnings per share

	2018	2017
Earnings:		
Profit attributable to shareholders of Nordea Bank Abp (Nordea Bank AB (publ)), EURm	3,070	3,031
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–14	–12
Weighted average number of basic shares outstanding	**4,036**	**4,038**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	1	1
Weighted average number of diluted shares outstanding	**4,037**	**4,039**
Basic earnings per share, EUR	0.76	0.75
Diluted earnings per share, EUR	0.76	0.75

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 "Accounting policies" section 22.

G13. Loans and impairment

EURm	31 Dec 2018[1]	31 Dec 2017[2]
Loans measured at fair value through profit and loss	77,521	76,766
Loans measured at amortised cost, not impaired (stage 1 and 2)	247,204	243,045
Impaired loans (stage 3)	4,581	6,068
- of which servicing	2,097	3,593
- of which non-servicing	2,484	2,475
Loans before allowances	**329,306**	**325,879**
- of which central banks and credit institutions	18,977	13,389
Allowances for impaired loans (stage 3)	–1,599	–1,936
- of which servicing	–720	–1,103
- of which non-servicing	–879	–833
Allowances for not impaired loans (stage 1 and 2)	–441	–397
Allowances	**–2,040**	**–2,333**
- of which central banks and credit institutions	–15	–1
Loans, carrying amount	**327,266**	**323,546**

1) Based on IFRS 9.
2) Based on IAS 39. Comparative figures for 2017 include impaired loans and allowance for loans measured at fair value. For 2018, these loans are not disclosed as impaired loans or allowances but rather as adjustments to fair value through "Net result from items at fair value" in the income statement.

Nordea has granted EUR 138 bn (EUR 138 bn) in mortgage credits.
No intermediary credits or public sector credits have been granted.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**11,161**	**88**	**6**	**11,255**	**218,421**	**14,040**	**5,397**	**237,858**	**229,582**	**14,128**	**5,403**	**249,113**
Origination and acquisition	932	6	–	938	37,466	1,058	491	39,015	38,398	1,064	491	39,953
Transfers between stage 1 and stage 2, (net)	4	–4	–	0	–279	288	–	9	–275	284	0	9
Transfers between stage 2 and stage 3, (net)	–	0	0	0	–	–245	285	40	0	–245	285	40
Transfers between stage 1 and stage 3, (net)	0	–	0	0	–49	–	83	34	–49	0	83	34
Repayments and disposals	–2,808	–7	–11	–2,826	–45,978	–3,336	–1,462	–50,776	–48,786	–3,343	–1,473	–53,602
Write-offs	–	–	–1	–1	–	–	–466	–466	0	0	–467	–467
Other changes	5,922	–53	6	5,875	9,611	2,946	324	12,881	15,533	2,893	330	18,756
Translation differences	47	0	–	47	–2,032	–60	–6	–2,098	–1,985	–60	–6	–2,051
Closing balance at 31 Dec 2018	**15,258**	**30**	**0**	**15,288**	**217,160**	**14,691**	**4,646**	**236,497**	**232,418**	**14,721**	**4,646**	**251,785**

G13. Loans and impairment, cont.

Movement of allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018[1]	**–8**	**–17**	**–7**	**–32**	**–125**	**–343**	**–1,809**	**–2,277**	**–133**	**–360**	**–1,816**	**–2,309**
Origination and acquisition	–3	0	–	–3	–30	–21	–9	–60	–33	–21	–9	–63
Transfers from stage 1 to stage 2	0	–1	–	–1	7	–63	–	–56	7	–64	0	–57
Transfers from stage 1 to stage 3	–	–	–	0	0	–	–90	–90	0	0	–90	–90
Transfers from stage 2 to stage 1	0	5	–	5	–13	52	–	39	–13	57	0	44
Transfers from stage 2 to stage 3	–	–	–	0	–	16	–97	–81	0	16	–97	–81
Transfers from stage 3 to stage 1	0	–	2	2	–4	–	12	8	–4	0	14	10
Transfers from stage 3 to stage 2	–	–	–	0	–	–7	73	66	0	–7	73	66
Changes in credit risk without stage transfer	1	4	0	5	8	42	28	78	9	46	28	83
Repayments and disposals	5	1	2	8	16	36	34	86	21	37	36	94
Write-off through decrease in allowance account	–	–	–	0	–	–	280	280	0	0	280	280
Other changes	–	–	–	0	0	–	–22	–22	0	0	–22	–22
Translation differences	0	0	0	0	0	1	4	5	0	1	4	5
Closing balance at 31 Dec 2018	**–5**	**–8**	**–3**	**–16**	**–141**	**–287**	**–1,596**	**–2,024**	**–146**	**–295**	**–1,599**	**–2,040**

1) At the transition to IFRS 9 on 1 January 2018 Nordea reclassified EUR 177m from loans held at amortised cost and recognised an increasing remeasurement of EUR 153m. See Note G1 section 2 for more information.

Movements of allowance accounts for impaired loans

	Central banks and credit institutions			The public			Total		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2017	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**
Provisions	–	–1	–1	–751	–157	–908	–751	–158	–909
Reversals of previous provisions	–	1	1	385	257	642	385	258	643
Changes through the income statement	**0**	**0**	**0**	**–366**	**100**	**–266**	**–366**	**100**	**–266**
Allowances used to cover realised loan losses	–	–	–	300	–	300	300	–	300
Reclassification	–	–	–	11	2	13	11	2	13
Translation differences	0	2	2	32	12	44	32	14	46
Closing balance at 31 Dec 2017	**0**	**0**	**0**	**–1,936**	**–397**	**–2,333**	**–1,936**	**–397**	**–2,333**

G13. Loans and impairment, cont.

Rating/scoring information on loans measured at amortised cost

Rating/scoring grade	Average PD, %	Gross carrying amount 31 Dec 2018 Stage 1	Stage 2	Stage 3[1]	Total
7	0.01	9,958	116	0	10,074
6+ / A+	0.03	50,773	192	1	50,966
6 / A	0.05	20,574	184	2	20,760
6– / A–	0.09	15,502	283	2	15,787
5+ / B+	0.10	15,538	478	2	16,018
5 / B	0.20	23,251	582	1	23,834
5– / B–	0.27	15,228	636	3	15,867
4+ / C+	0.49	17,516	725	5	18,246
4 / C	0.69	22,549	1,066	6	23,621
4– / C–	1.30	15,214	998	4	16,216
3+ / D+	3.24	4,844	1,605	13	6,462
3 / D	6.00	4,862	1,789	14	6,665
3– / D–	8.26	2,612	1,187	13	3,812
2+ / E+	10.91	1,708	1,169	67	2,944
2 / E	17.44	900	1,136	19	2,055
2– / E–	22.13	360	335	4	699
1+ / F+	32.82	223	262	13	498
1 / F	32.48	265	549	28	842
1– / F–	37.34	570	720	31	1,321
Standardised/Unrated	0.24	10,029	319	95	10,443
0+ / 0 / 0– (default)	100.00	211	186	4,258	4,655
Total		**232,687**	**14,517**	**4,581**	**251,785**

1) The stage classification and calculation provision for each exposure is based on the situation as per end of October 2018, while the exposure amount and rating grades are based on the situation as per end of December 2018. Some of the exposures in default according to the rating grade as per end of December were not in default as per end of October, and hence this is reflected in the stage classification.

Key ratios[1]

	31 Dec 2018[2]
Impairment rate (stage 3), gross, basis points	182
Impairment rate (stage 3), net, basis points	118
Total allowance rate (stage 1, 2 and 3), basis points	81
Allowances in relation to impaired loans (stage 3), %	35
Allowances in relation to loans in stage 1 and 2, basis points	1

	31 Dec 2017[3]
Impairment rate, gross, basis points	186
Impairment rate, net, basis points	127
Total allowance rate, basis points	72
Allowances in relation to impaired loans, %	32
Total allowances in relation to impaired loans, %	38
Non-servicing loans, not impaired, EURm	253

1) For definitions, see Glossery on page 95.
2) Based on IFRS 9.
3) Based on IAS 39.

For additional information on credit risks, see Note G46 "Credit risk disclosures".

G14. Interest-bearing securities

EURm	31 Dec 2018	31 Dec 2017
State, municipalities and other public bodies	18,756	16,833
Mortgage institutions	28,077	27,214
Other credit institutions	24,736	26,107
Corporates	4,601	5,140
Other	52	–
Total	**76,222**	**75,294**

Provisions for credit risks amount to EUR 2m (EUR 0m).

G15. Financial instruments pledged as collateral

Financial instruments pledged as collateral

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

EURm	31 Dec 2018	31 Dec 2017
Interest-bearing securities	7,568	6,489
Total	**7,568**	**6,489**

For information on transferred assets and reverse repos, see Note G41 "Financial instruments set off on balance or subject to netting agreements".

G16. Shares

EURm	31 Dec 2018	31 Dec 2017
Shares	4,407	8,599
Fund units, equity related	5,679	5,954
Fund units, interest related	2,366	2,627
Total	**12,452**	**17,180**
- of which Financial instruments pledged as collateral (Note G15)	–	–
Total	**12,452**	**17,180**

G17. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2018	31 Dec 2017
Assets		
Interest-bearing securities	1,284	1,705
Shares and fund units	23,076	23,639
Properties	158	151
Other assets	65	384
Total	**24,583**	**25,879**
Liabilities		
Pooled schemes	3,964	4,317
Unit linked investment contracts	21,689	22,016
Total	**25,653**	**26,333**

The Life Group and Nordea Denmark, branch of Nordea Bank AB, have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

G18. Derivatives and Hedge accounting

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	33,915	38,624	6,571,710
Fair value hedges	1,959	402	160,440
Cash flow hedges	1,143	437	20,795
Net investment hedges	8	84	8,544
Total derivatives	**37,025**	**39,547**	**6,761,489**

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	44,415	41,607	7,376,437
Fair value hedges	1,118	483	94,050
Cash flow hedges	525	590	15,654
Net investment hedges	53	33	9,219
Total derivatives	**46,111**	**42,713**	**7,495,360**

Derivatives not used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	17,438	17,476	3,824,871
FRAs	26	8	1,036,172
Futures and forwards	25	27	137,399
Options	5,252	6,025	371,954
Total	**22,741**	**23,536**	**5,370,396**
Equity derivatives			
Equity swaps	192	138	10,886
Futures and forwards	4	2	1,255
Options	303	638	15,273
Total	**499**	**778**	**27,414**
Foreign exchange derivatives			
Currency and interest rate swaps	5,214	9,076	397,180
Currency forwards	4,807	4,360	625,264
Options	108	116	19,879
Other	0	0	0
Total	**10,129**	**13,552**	**1,042,323**
Other derivatives			
Credit default swaps (CDS)	536	756	130,921
Commodity derivatives	0	0	92
Other derivatives	10	2	564
Total	**546**	**758**	**131,577**
Total derivatives not used for hedge accounting	**33,915**	**38,624**	**6,571,710**

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	23,589	19,804	4,827,481
FRAs	39	18	984,287
Futures and forwards	32	48	148,995
Options	6,421	6,285	324,604
Other	4	2	4,009
Total	**30,085**	**26,157**	**6,289,376**
Equity derivatives			
Equity swaps	113	150	11,301
Futures and forwards	3	6	1,147
Options	355	642	13,845
Total	**471**	**798**	**26,293**
Foreign exchange derivatives			
Currency and interest rate swaps	6,203	7,816	352,287
Currency forwards	5,465	4,748	605,787
Options	150	107	23,485
Total	**11,818**	**12,671**	**981,559**
Other derivatives			
Credit default swaps (CDS)	2,009	1,975	78,650
Commodity derivatives	3	3	235
Other derivatives	29	3	324
Total	**2,041**	**1,981**	**79,209**
Total derivatives not used for hedge accounting	**44,415**	**41,607**	**7,376,437**

Hedge Accounting

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in the Market risk section in the chapter "Risk management" in the Board of Directors' report .

Nordea classifies its exposures to market risk into either trading (the Trading Book) or non-trading (the Banking Book) portfolios and are managed separately.

The Trading Book consists of all positions in financial instruments held by Nordea either with trading intent, or in order to hedge positions held with trading intent. Positions held “with trading intent” are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices, or from other price or interest rate variations.

The Banking Book comprises all positions not held in the Trading Book. All hedges qualifying for hedge accounting are performed in the Banking Book. The hedging instruments and risks hedged are futher described below per risk and hedge accounting type.

Interest rate risk

Nordea’s primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea’s margins, profit or loss, and equity. Interest risk arises from mismatch of interest from interest bearing liabilities and assets such as deposits, issued debt, securities and loan portfolio.

As part of Nordea’s risk management strategy, the Board

G18. Derivatives and Hedge accounting, cont.

has established limits on the non-trading interest rate gaps for the interest rate sensitivities. These limits are consistent with Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see the Market risk section in the chapter "Risk management" in the Board of Directors' report .

For hedge accounting relationships related to interest rate risk, the hedged item is the benchmark rate. The hedging ratio is one-to-one, and is established by matching the notional of the derivatives against the principle of the hedged item.

The benchmark rate is determined as a change in present value of the future cash flows using benchmark rate discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea enters into fair value hedging relationships as described in Note G1 section 10. Nordea uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and loans and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates).

The below table presents the accumulated fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedged items

	Interest rate risk	
EURm	2018	2017
Fair value hedges		
Carrying amount of hedged assets[1]	46,773	41,818
- of which accumulated amount of fair value hedge adjustment[3]	169	163
Carrying amount of hedged liabilties[2]	81,424	67,040
- of which accumulated amount of fair value hedge adjustment[3]	1,273	1,450

1) Presented on the balance sheet rows Loans to central banks, Loan to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
2) Presented on the balance sheet rows Deposit by credit institutions, Deposit and borrowing from the public, Debt securities in issue and Fair value changes of the hedged items in portoflio hedge of interest rate risk.
3) Of which all relates to continuing portfolio hedges of interest rate risk.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,959	402	160,440

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,118	483	94,050

The below table presents the changes in the fair value of the hedged items and changes in fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row "Net result from items at fair value" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
EURm	2018	2017
Fair value hedges		
Changes in fair value of hedging instruments	–237	–906
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	194	949
Hedge ineffectiveness recognised in the income statement[1]	–43	43

1) Recognised on the row Net result from items at fair value.

Cash flow hedges

For Nordea's cash flow hedge accounting relationships, the hedged risk is the variability in future interest cash flows due to changes in market interest rates. In order to reduce or eliminate variability in future interest payments, Nordea primarily uses interest rate swaps as hedging instruments according to Nordea's policies and risk management strategy described in Note G1 section 10 and in the Market risk section in the chapter "Risk management" in the Board of Directors' report.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the terms of the future interest cash flows (i.e. notional amount and expected payment date).

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	6	0	190

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	0	4	520

G18. Derivatives and Hedge accounting, cont.

In the below table, the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year, are specified.

Hedge ineffectiveness

	Interest rate risk	
EURm	2018	2017
Cash flow hedges		
Changes in fair value of hedging instruments	16	–4
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–16	4
Hedge ineffectiveness recognised in the income statement[1]	–	–
Hedging gains or losses recognised in OCI	16	–4

1) Recognised on the row Net result from items at fair value.

Cash flow hedge reserve

	Interest rate risk	
EURm	2018	2017
Balance at 1 Jan	–3	–
Cash flow hedges:		
Valuation gains/losses during the year	16	–4
Tax on valuation gains/losses during the year	–3	1
Transferred to the income statement during the year	–6	–
Tax on transfers to the income statement during the year	1	–
Other comprehensive income, net of tax	8	–3
Total comprehensive income	8	–3
Balance at 31 Dec	**5**	**–3**
of which relates to continuing hedges for which hedge accounting is applied	5	–3
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

The maturity profile of Nordea's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instrumens

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	5,024	19,030	108,380	25,517	157,951
Net cash outflows	**–**	**5,024**	**19,030**	**108,380**	**25,517**	**157,951**

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	3,925	11,368	55,953	18,102	89,348
Net cash outflows	**–**	**3,925**	**11,368**	**55,953**	**18,102**	**89,348**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk (FX risk) from trading activities is limited through a VaR limit while FX risk from structural exposures are limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severed but plausible stress scenario (see the Market risk section in the chapter "Risk management" in the Board of Directors' report).

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency and thus exposes Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are matched by predominantly entering into cross currency interest rate swaps. 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.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuation of the spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1-ratio to fluctuate from the currency mismatch between equity and Risk Exposure Amounts (REA). Nordea applies hedge accounting when it hedges its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item.

The currency component is determined as the change in present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Cash flow and net investment hedges

The below tables provide information about the hedging instruments as well as the outcome of the cash flow and net investment hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

G18. Derivatives and Hedge accounting, cont.

Derivatives used for hedge accounting

31 Dec 2018, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	1,137	437	20,605
Net investment hedges			
Foreign exchange risk	8	84	8,544
Total derivatives used for hedge accounting	**1,145**	**521**	**29,149**

31 Dec 2017, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	525	586	15,134
Net investment hedges			
Foreign exchange risk	53	33	9,219
Total derivatives used for hedge accounting	**578**	**619**	**24,353**

In the below table, the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year, are specified.

Hedge ineffectiveness

EURm	Foreign exchange risk 2018	Foreign exchange risk 2017
Cash flow hedges		
Changes in fair value of hedging instruments	704	47
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–704	–47
Hedge ineffectiveness recognised in the income statement[1]	–	–
Hedging gains or losses recognised in OCI	704	47
Net investment hedges		
Changes in fair value of hedging instruments	67	175
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–67	–175
Hedge ineffectiveness recognised in the income statement[1]	–	–
Hedging gains or losses recognised in OCI	67	175

1) Recognised on the row Net result from items at fair value.

Cash flow hedge reserve

EURm	Foreign exchange risk 2018	Foreign exchange risk 2017
Balance at 1 Jan 2018	–43	37
Cash flow hedges:		
Valuation gains/losses during the year	704	47
Tax on valuation gains/losses during the year	–156	–20
Transferred to the income statement during the year	–670	–150
Tax on transfers to the income statement during the year	148	43
Other comprehensive income, net of tax	26	–80
Total comprehensive income	26	–80
Balance at 31 Dec 2018	**–17**	**–43**
of which relates to continuing hedges for which hedge accounting is applied	–17	–43
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Maturity profile of the nominal amount of hedging instrumens

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	2,663	11,886	13,707	3,572	31,828
Total	–	**2,663**	**11,886**	**13,707**	**3,572**	**31,828**

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	–	1,220	25,402	2,953	29,575
Total	–	–	**1,220**	**25,402**	**2,953**	**29,575**

G19. Investments in associated undertakings and joint ventures

EURm	31 Dec 2018	31 Dec 2017
Acquisition value at beginning of year	1,237	590
Acquisitions during the year	335	972
Sales during the year	–3	–9
Share in earnings[1]	122	61
Dividend received	–23	–93
Reclassification	–28	–267
Translation differences	–37	–17
Acquisition value at end of year	**1,603**	**1,237**
Accumulated impairment charges at beginning of year	–2	–2
Accumulated impairment charges at end of year	**–2**	**–2**
Total	**1,601**	**1,235**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2018	31 Dec 2017
Profit from companies accounted for under the equity method	124	23
Portfolio hedge, Eksportfinans ASA	–2	–3
Associated undertakings in Life insurance, reported as Net result from items at fair value	–	41
Share in earnings	**122**	**61**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2018	31 Dec 2017
Total assets	2,054	2,226
Net profit for the year	21	3
Other comprehensive income	0	0
Total comprehensive income	21	3

Nordea has issued contingent liabilities of EUR 26m (EUR 1m) on behalf of associated undertakings.

Associated undertakings

31 Dec 2018	Registration number	Domicile	Carrying amount 2018, EURm	Carrying amount 2017, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	161	172	23
Eiendomsverdi AS	881971682	Oslo	13	–	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	2	27
LR Realkredit A/S	26045304	Copenhagen	7	9	39
Nordea Liv & Pension, livforsikringsselskab A/S	24260577	Ballerup	326	–	30
E-nettet Holding A/S	28308019	Copenhagen	3	3	20
Mandrague Capital Partners AB	556854-2780	Stockholm	5	–	40
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	7	8	33
PFC Technology AB	556851-3112	Stockholm	4	–	20
NF Fleet Oy	2006935-5	Espoo	9	9	20
NF Fleet AB	556692-3271	Stockholm	6	5	20
NF Fleet A/S	29185263	Copenhagen	4	5	20
NF Fleet AS	988906808	Oslo	3	2	20
Upplysningscentralen UC AB	556137-5113	Stockholm	–	3	26
Bankomat AB	556817-9716	Stockholm	7	8	20
Visa Sweden	801020-5097	Stockholm	6	29	–
Other			1	7	
Total			**564**	**262**	

Nordea's share of the joint ventures' aggregated balance sheets and income statements (excluding Luminor, see below) can be summarised as follows:

EURm	31 Dec 2018[1]	31 Dec 2017
Total assets	345	252
Net profit for the year	–4	–54
Other comprehensive income	0	1
Total comprehensive income	–4	–53

1) Estimate based on situation as of Q3 2018.

G19. Investments in associated undertakings and joint ventures, cont.

Joint ventures

31 Dec 2018	Registration number	Domicile	Carrying amount 2018, EURm	Carrying amount 2017, EURm	Voting power of holding %	Ownership %	Average number of FTE
Luminor Group AB[1]	559072-8316	Stockholm	1,037	973	50	56	3,000
Relacom Management AB[1]	556746-3103	Stockholm	–	–	61	61	3,000
Total			**1,037**	**973**			
Total associated undertakings and joint ventures			**1,601**	**1,235**			

1) The joint contol is based on a shareholders agreement where it is stated that decisions about all relevant activities in the entity is made in common.

For information about investments in group undertaking and companies where Nordea has unlimited responsibility, see Note P21 "Investments in group undertakings".

Nordea has one material joint venture, Luminor Group. The company is the result of the merger of Nordea's and DnB's business in the Baltics. Nordea has entered into an agreement to reduce the holding in Luminor Group to be executed in 2019. At 31 Dec 2018, Nordea held 56.3% of the capital in Luminor but only 50.0% of the voting rights and thus report Luminor as a joint venture.

Luminor is included in the consolidated accounts of Nordea via the equity method. Luminor applies IFRS in their consolidated accounts and the balance sheet and income statements below are based on IFRS. The figures disclosed show the entire Luminor Group, not just Nordea's share.

Balance sheet Luminor Group

EURm	31 Dec 2018	31 Dec 2017
Assets		
Cash and balances with central banks	3,275	2,620
Loans to central banks and credit institutions	204	574
Loans to the public	11,451	11,647
Interest-bearing securities	167	34
Derivatives	46	28
Other assets	167	191
Total assets	**15,310**	**15,094**
Liabilities and equity		
Deposits by credit institutions	3,939	4,761
Deposits and borrowings from the public	9,073	8,430
Debt securities in issue	350	65
Derivatives	43	33
Other liabilities	107	91
Equity	1,799	1,714
Total liabilities and equity	**15,310**	**15,094**

Income statement Luminor Group

EURm	31 Dec 2018	31 Dec 2017[1]
Interest income	309	78
Interest expense	–39	–10
Net commission income	83	21
Net result from items at fair value	32	15
Other income	4	2
Total operating income	**389**	**106**
Staff costs	–114	–30
Other administrative expenses	–115	–48
Depreciation and amortisation	–14	–2
Net loan losses	–4	–19
Operating profit	**142**	**7**
Income tax expense	–14	–13
Net profit for the year	**128**	**–6**
Other comprehensive income	2	–2
Total comprehensive income	**130**	**–4**

1) The company existed for 3 months 2017.

Reconciliation of the carrying amount in Luminor

EURm	31 Dec 2018	31 Dec 2017
Nordeas share of equity in Luminor	1,013	965
Transaction costs	23	23
Other	1	–15
Carrying amount of the holding in Luminor	**1,037**	**973**

G20. Intangible assets

Goodwill allocated to cash generating units[1]		
Banking Russia	–	161
Business Banking Denmark	141	141
Business Banking Norway	462	466
Business Banking Sweden	82	85
Corporate & Investment Banking Norway[3]	172	–
Life & Pensions, Norway[2]	–	128
Personal Banking Denmark	447	448
Personal Banking Norway[2]	388	263
Personal Banking Sweden	124	128
Shipping, Offshore & Oil services[3]	–	174
Total goodwill	**1,816**	**1,994**
Computer software	2,167	1,917
Other intangible assets	52	72
Total intangible assets	**4,035**	**3,983**

1) Excluding goodwill in associated undertakings.
2) The goodwill allocated to Life & Pensions in 2017 have been reallocated to Personal Banking Norway in 2018 to better reflect where the cash flows are generated.
3) The segment Shipping Offshore & Oil services has been merged with the segment Corporate & Institutional Banking Norway.

Movements in goodwill		
Acquisition value at beginning of year	1,995	2,248
Reclassifications	–	–169
Translation differences	–37	–84
Acquisition value at end of year	**1,958**	**1,995**
Accumulated impairment charges at beginning of year	–1	–1
Impairment charges during the year	–141	–
Accumulated impairment charges at end of year	**–142**	**–1**
Total	**1,816**	**1,994**

Movements in computer software		
Acquisition value at beginning of year	2,377	1,802
Acquisitions during the year	534	645
Sales/disposals during the year	–78	–
Transfers/reclassifications during the year	–	–23
Translation differences	–45	–47
Acquisition value at end of year	**2,788**	**2,377**
Accumulated amortisation at beginning of year	–417	–315
Amortisation according to plan for the year	–162	–123
Accumulated amortisation on sales/disposals during the year	20	–
Transfers/reclassifications during the year	–	8
Translation differences	11	13
Accumulated amortisation at end of year	**–548**	**–417**
Accumulated impairment charges at beginning of year	–43	–40
Impairment charges during the year	–32	–5
Translation differences	2	2
Accumulated impairment charges at end of year	**–73**	**–43**
Total	**2,167**	**1,917**

Impairment testing of goodwill and computer software

A cash generating unit, defined as the operating segment, is the basis for the impairment test.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill and computer software under development with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows for the coming three years are based on financial forecasts. The forecasts are based on the Nordea macro economic outlook, including information on GDP growth, inflation and benchmark rates for relevant countries. Based on these macro forecasts, business areas project how margins, volumes, sales and costs will develop the coming years. Credit losses are estimated using the long term average for the different business areas. This results in an income statement for each year. The projected cash flow for each year is the forecasted net result in these income statements, reduced by the capital needed to grow the business in accordance with the long term growth assumptions. The projections take into consideration the major projects initiated in Nordea, e.g. the transformation program. There is also an allocation of central costs to business areas to make sure the cash flows for the CGUs include indirect costs. Tax costs are estimated based on the standard tax rate. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. Growth rates are based on historical data, updated to reflect the current situation.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The following growth rates and discount rates have been used:

	Discount rate[1]		Growth rate	
EURm	2018	2017	2018	2017
Sweden	6.6	7.1	2.0	1.8
Denmark	5.9	6.6	1.3	1.3
Finland	5.9	6.6	1.3	1.3
Norway	6.4	7.1	1.8	1.8
Russia	9.2	9.5	0.0	0.0

1) Post-tax

The impairment tests conducted in 2018 did not indicate any need for goodwill impairment, except for Russia as explained below. See also Note G1 "Accounting policies" section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would not result in any impairment.

Impairment

Due to the reduced business volumes in Nordea Russia combined with a continued cautious strategy going forward, the value of the Russian business does no longer sustain the recognised goodwill stemming from a significantly higher business volume and earnings level. Following this, Nordea has recognised an impairment loss of EUR 141m. With this impairment, there is no longer any goodwill recognised in relation to the Russian operations. The impairment test is based on the value in use of the Russian operations and the estimated future cash flows have been discounted with a post-tax discount rate of 9.2% (9.5%).

The goodwill has been recognised in the segment Banking Russia, which is a separate segment within Wholesale Banking. The impairment expense is recognised as a reconciliation difference in Note G2 "Segment reporting".

G21. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G13) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

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

EURm	31 Dec 2018	31 Dec 2017
Gross investments	6,436	6,547
Less unearned finance income	–786	–815
Net investments in finance leases	**5,650**	**5,732**
Less unguaranteed residual values accruing to the benefit of the lessor	–34	–14
Present value of future minimum lease payments receivable	**5,614**	**5,718**
Accumulated allowance for uncollectible minimum lease payments receivable	8	3

As of 31 December 2018 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2018	
EURm	Gross investment	Net investment
2019	1,791	1,507
2020	1,615	1,369
2021	1,348	1,196
2022	594	546
2023	503	479
Later years	585	553
Total	**6,436**	**5,650**

G21. Leasing, cont.

Operating leases

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

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

EURm	31 Dec 2018
2019	1
2020	1
2021	1
2022	0
2023	–
Later years	–
Total	**3**

Nordea as a lessee

Finance leases

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

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year

EURm	2018	2017
Leasing expenses during the year	–218	–204
- of which minimum lease payments	–218	–197
- of which contingent rents	0	–7
Leasing income during the year regarding sublease payments	4	4

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

EURm	31 Dec 2018
2019	144
2020	121
2021	101
2022	88
2023	77
Later years	686
Total	**1,217**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 12m.

G22. Investment properties

EURm	31 Dec 2018	31 Dec 2017
Carrying amount at beginning of year	1,448	3,119
Acquisitions during the year	131	425
Sales/disposals during the year	–15	–179
Fair value adjustments	57	39
Transfers/reclassifications during the year	0	–2,043
Translation differences	–14	87
Carrying amount at end of year	**1,607**	**1,448**

Amounts recognised in the income statement[1]

EURm	2018	2017
Fair value adjustments	62	72
Rental income	85	159
Direct operating expenses that generate rental income	–21	–29
Direct operating expenses that did not generate rental income	–1	–10
Total	**125**	**192**

1) Included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G40 "Assets and liablilities at fair value.

G23. Other assets

EURm	31 Dec 2018	31 Dec 2017
Claims on securities settlement proceeds	594	924
Cash/margin receivables	10,161	9,007
Other	3,994	2,510
Total	**14,749**	**12,441**

G24. Prepaid expenses and accrued income

EURm	31 Dec 2018	31 Dec 2017
Accrued interest income	272	297
Other accrued income	324	464
Prepaid expenses	717	702
Total	**1,313**	**1,463**

G25. Deposits by credit institutions

EURm	31 Dec 2018	31 Dec 2017
Central banks	16,456	13,751
Banks	21,579	18,401
Other credit institutions	4,384	7,831
Total	**42,419**	**39,983**

G26. Deposits and borrowings from the public

EURm	31 Dec 2018	31 Dec 2017
Deposits[1]	160,228	165,418
Repurchase agreements	4,730	7,016
Total	**164,958**	**172,434**

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

EURm	31 Dec 2018	31 Dec 2017
Traditional life insurance provisions	6,187	6,264
- of which guaranteed provisions	6,110	6,178
- of which non-guaranteed provisions	77	86
Collective bonus potential	1,937	2,249
Unit-linked insurance provisions	6,375	6,922
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	6,375	6,922
Insurance claims provision	433	422
Provisions, Health & personal accident	69	74
Total Insurance contracts	**15,001**	**15,931**
Investment contracts	3,229	3,481
- of which guaranteed provisions	3,229	3,481
- of which non-guaranteed provisions	–	–
Total	**18,230**	**19,412**

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

G27. Liabilities to policyholders, cont.

31 Dec 2018, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Gross premiums written	94	–	340	–	–	132	566
Transfers	34	–	–34	–	–	–	0
Addition of interest/investment return	261	–	336	–	–	–97	500
Claims and benefits	–292	–	–606	12	–3	–262	–1,151
Expense loading inclusive addition of expense bonus	–25	–	–44	–	–	–28	–97
Change in provisions/bonus potential	144	–265	122	–	–1	–	0
Other	–242	–	–656	–	–	109	–789
Translation differences	–51	–47	–5	–1	–1	–106	–211
Provisions/bonus potentials, end of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Provision relating to bonus schemes/ discretionary participation feature:	99%					71%	

31 Dec 2017, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Gross premiums written	612	–	2,591	–	–	137	3,340
Transfers/reclassification[1]	–12,299	–1,179	–9,637	–44	–173	5	–23,327
Addition of interest/investment return	517	–	1,072	–	–	284	1,873
Claims and benefits	–1,262	–	–1,241	–16	–7	–271	–2,797
Expense loading including addition of expense bonus	–91	–	–95	–	–	–31	–217
Change in provisions/bonus potential	42	–121	79	26	6	–	32
Other	20	–	–47	–	–	–25	–52
Translation differences	–399	–57	–40	–4	–4	–146	–650
Provisions/bonus potentials, end of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Provision relating to bonus schemes/ discretionary participation feature:	99%					72%	

1) EUR 23,316m is related to a reclassification to "Assets held for sale". See Note G42 for further information.

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below

Life insurance risk and market risks in the Life insurance operations, Sensitivites

EURm	31 Dec 2018 Effect on policyholders liabilities[1]	31 Dec 2018 Effect on Nordeas Equity[2]	31 Dec 2017 Effect on policyholders liabilities[1]	31 Dec 2017 Effect on Nordeas Equity[2]
Mortality – increased living with 1 year	23.2	–17.9	23.4	–18.7
Mortality – decreased living with 1 year	–0.4	0.3	–0.5	0.4
Disability – 10% increase	8.9	–6.9	9.4	–7.5
Disability – 10% decrease	–6.3	4.9	–6.4	5.1
50 bp increase in interest rates	–287.3	–5.6	–266.1	–2.9
50 bp decrease in interest rates	288.7	5.6	266.9	2.9
12% decrease in all share prices	–680.8	–0.8	–724.1	–1.3
8% decrease in property value	–115.9	–0.8	–106.3	–0.6
8% loss on counterparts	–1.5	0.0	–4.7	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

G27. Liabilities to policyholders, cont.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2018, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	6,447	1,367	2,772	2,181	2,175	849	15,791

31 Dec 2017, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,006	1,502	2,924	2,185	2,225	825	16,667

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guarantees	Yes
Unit–Link	Mortality	Yes
	Disability	Yes
	Return guarantees	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guarantees	No
Financial contract	Mortality	No
	Disability	No
	Return guarantees	Yes

G28. Debt securities in issue

EURm	31 Dec 2018	31 Dec 2017
Certificates of deposit	29,693	10,743
Commercial papers	17,078	24,441
Covered bonds	107,936	111,701
Senior Non Preferred bonds	2,440	–
Other bonds	33,227	32,186
Other	48	43
Total	**190,422**	**179,114**

G29. Other liabilities

EURm	31 Dec 2018	31 Dec 2017
Liabilities on securities settlement proceeds	1,617	3,055
Sold, not held, securities	12,495	13,400
Accounts payable	152	161
Cash/margin payables	4,289	8,857
Other	4,762	3,042
Total	**23,315**	**28,515**

G30. Accrued expenses and prepaid income

EURm	31 Dec 2018	31 Dec 2017
Accrued interest	5	8
Other accrued expenses	1,423	1,357
Prepaid income	268	238
Total	**1,696**	**1,603**

G31. Provisions

EURm	31 Dec 2018	31 Dec 2017
Restructuring	193	225
Guarantees/commitments	121	91
Other	7	13
Total	**321**	**329**

Provisions for restructuring costs have been utilised by EUR 132m during 2018, and an increase of EUR 103m has been accounted for. The restructuring provision is related to the ongoing transformation of Nordea, including activities to close down Nordea's Luxembourg-based private banking business. Provisions are mainly expected to be utilised during 2019 and as for any other provision there is an uncertainty around timing and amount. The uncertainty is expected to decrease as the plans are being executed.

Loan loss provisions off-balance sheet items amount to EUR 121m. More information on these provisions can be found below.

EURm	Restructuring	Other
At beginning of year	225	13
New provisions made	103	5
Provisions utilised	–123	–8
Reversals	–9	–3
Reclassifications	0	0
Translation differences	–3	0
At end of year	**193**	**7**

G31. Provisions, cont.

Movements in provisions for off balance sheet items

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018[1]	**17**	**48**	**74**	**139**
Origination and acquisition	6	5	0	11
Transfers from stage 1 to stage 2	–1	12	–	11
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–8	–	–6
Transfers from stage 2 to stage 3	–	–1	8	7
Transfers from stage 3 to stage 1	0	–	–2	–2
Transfers from stage 3 to stage 2	–	0	–2	–2
Changes in credit risk without stage transfer	–2	–10	–5	–17
Repayments and disposals	–4	–5	0	–9
Write-off through decrease in allowance account	–	–	–13	–13
Translation differences	0	0	0	0
Closing balance at 31 Dec 2018	**18**	**41**	**62**	**121**

1) The opening balance includes an adjustment of EUR 48m, due to implementation of IFRS9. More information is available in note G1 section 2.

Rating/scoring information on off balance sheet items

	Nominal amount 31 Dec 2018			
	Stage 1	Stage 2	Stage 3	Total
7	4,503	–	–	4,503
6+ / A+	12,559	5	0	12,564
6 / A	5,729	2	0	5,731
6– / A–	4,693	15	0	4,708
5+ / B+	7,563	54	0	7,617
5 / B	12,028	54	0	12,082
5– / B–	9,774	52	0	9,826
4+ / C+	9,042	136	0	9,178
4 / C	7,495	233	0	7,728
4– / C–	5,061	397	1	5,459
3+ / D+	1,652	705	0	2,357
3 / D	1,034	576	5	1,615
3– / D–	795	580	2	1,377
2+ / E+	214	290	3	507
2 / E	128	193	2	323
2– / E–	34	86	0	120
1+ / F+	35	65	1	101
1 / F	11	65	0	76
1– / F–	26	104	1	131
Standardised/Unrated	2,343	452	3	2,798
0+ / 0 / 0–	–	0	694	694
Total	**84,719**	**4,064**	**712**	**89,495**

G32. Retirement benefit obligations

EURm	31 Dec 2018	31 Dec 2017
Retirement benefit assets	246	250
Retirement benefit obligations	398	281
Net liability (–)/asset (+)	**–152**	**–31**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full, with a predefined surplus or alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to monitor the likely level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

IAS 19 pension calculations and assumptions

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

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2018					
Discount rate[2]	2.17%	2.82%	1.58%	1.80%	2.56%
Salary increase	3.00%	2.75%	1.75%	2.25%[3]	–
Inflation	2.00%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2017					
Discount rate[2]	2.49%	2.60%	1.41%	1.70%	2.31%
Salary increase	2.75%	2.75%	1.75%	2.25%[3]	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2018 have an impact on the liability calculation by year-end 2018, while the assumptions disclosed for 2017 are used for calculating the pension expense in 2018.
2) More information on the discount rate can be found in Note G1 "Accounting policies", section 23. The sensitivities to changes in the discount rate can be found below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2017 projections for 2018 calculations and CMI_2016 projections for 2017 calculations.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–10.5%	–7.7%	–5.9%	–4.9%	–10.5%
Discount rate - Decrease 50bps	12.1%	8.7%	6.6%	5.4%	12.1%
Salary increase - Increase 50bps	3.8%	0.4%	0.4%	4.8%	–
Salary increase - Decrease 50bps	–2.8%	–0.4%	–0.4%	–4.5%	–
Inflation - Increase 50bps	10.3%	7.7%	4.9%	–	2.0%
Inflation - Decrease 50bps	–9.2%	–6.5%	–4.5%	–	–1.8%
Mortality - Increase 1 year	4.7%	3.5%	4.3%	5.5%	4.6%
Mortality - Decrease 1 year	–4.6%	–4.5%	–4.2%	–5.4%	–4.5%

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 gives the possibility 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 2017 Annual Report there have been changes in the methods used when preparing the sensitivity analysis in Sweden and Norway. The 2018 sensitivity analysis now include the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions) in Sweden and Norway respectively. The method for calculation of sensitivities in the other countries is unchanged since 2017.

As all pensions in Denmark are salary indexed the inflation has no impact on the DBO in Denmark.

G32. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2018	Nor 2018	Fin 2018	Den 2018	UK 2018	Total 2018	Total 2017
Obligations	1,840	744	722	96	92	3,494	3,454
Plan assets	1,604	681	824	122	111	3,342	3,423
Net liability(–)/asset(+)	**–236**	**–63**	**102**	**26**	**19**	**–152**	**–31**
- of which retirement benefit liabilities	238	156	3	1	–	398	281
- of which retirement benefit assets	2	93	105	27	19	246	250

Movements in the obligation

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,704	764	776	101	109	3,454
Current service cost	28	4	4	–	–	36
Interest cost	40	19	9	2	3	73
Pensions paid	–68	–31	–43	–6	–17	–165
Past service cost and settlements	–1	9	–6	–	1	3
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Translation differences	–65	–4	–	0	–1	–70
Change in provision for SWT/SSC[1]	34	–5	–	–	–	29
Closing balance	**1,840**	**744**	**722**	**96**	**92**	**3,494**
- of which relates to the active population	27%	14%	14%	–	–	20%

2017, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,524	869	800	103	138	3,434
Current service cost	25	6	3	–	–	34
Interest cost	41	22	12	2	3	80
Pensions paid	–70	–35	–40	–6	–17	–168
Past service cost and settlements	14	–5	0	–	–	9
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Translation differences	–52	–66	–	–1	–4	–123
Change in provision for SWT/SSC[1]	25	–10	–	–	0	15
Closing balance	**1,704**	**764**	**776**	**101**	**109**	**3,454**
- of which relates to the active population	27%	14%	15%	–	–	20%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 18 (18) years in Sweden, 14 (15) years in Norway, 12 (15) years in Finland, 11 (11) years in Denmark and 22 (24) years in UK based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration. The increase in average duration during the year is due to changed assumptions.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,634	666	865	127	131	3,423
Interest income (calculated using the discount rate)	38	17	11	2	3	71
Pensions paid	–	–19	–43	–6	–17	–85
Settlement	–	–	–2	–	–	–2
Contributions by employer	–	4	0	3	–	7
Remeasurement (actual return less interest income)	–5	20	–7	–3	–6	–1
Translation differences	–63	–7	0	–1	0	–71
Closing balance	**1,604**	**681**	**824**	**122**	**111**	**3,342**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Opening balance	1,591	703	861	131	152	3,438
Interest income (calculated using the discount rate)	42	18	13	3	3	79
Pensions paid	–	–20	–40	–6	–17	–83
Contributions by employer	–	7	0	3	–	10
Remeasurement (actual return less interest income)	49	15	31	–4	–3	88
Translation differences	–48	–57	–	0	–4	–109
Closing balance	**1,634**	**666**	**865**	**127**	**131**	**3,423**

Asset composition

The combined return on assets in 2018 was 2.0% (4.9%). Asset returns across all asset classes were negatively impacted during the latter part of the year, but remained overall positive. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 24% (28%) of total assets.

Asset composition in funded schemes

%	Swe 2018	Nor 2018	Fin 2018	Den 2018	UK 2018	Total 2018	Total 2017
Bonds	73%	59%	54%	87%	79%	66%	63%
- sovereign	38%	36%	29%	38%	79%	36%	34%
- covered bonds	21%	17%	5%	49%	0%	17%	13%
- corporate bonds	12%	5%	20%	0%	0%	12%	15%
- issued by Nordea entities	2%	1%	–	–	–	1%	1%
- with quoted market price in an active market	73%	59%	54%	87%	79%	66%	63%
Equity	24%	24%	28%	12%	21%	24%	28%
- domestic	6%	6%	7%	12%	6%	6%	7%
- European	6%	6%	7%	0%	7%	6%	8%
- US	6%	6%	8%	0%	7%	7%	8%
- emerging	6%	6%	6%	0%	1%	5%	5%
- Nordea shares	–	–	–	–	–	0%	0%
- with quoted market price in an active market	24%	24%	28%	12%	21%	24%	28%
Real estate[1]	0	14%	15%	0%	0%	7%	7%
- occupied by Nordea	–	–	5%	–	–	1%	1%
Cash and cash equivalents	3%	3%	3%	1%	0%	3%	2%

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

The Group expects to contribute EUR 4m to its defined benefit plans in 2019.

G32. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 54m (EUR 51m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7 "Staff costs").

Recognised in the income statement

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	28	4	4	–	–	36
Net interest	2	2	–2	0	0	2
Past service cost and settlements	–1	9	–4	–	1	5
SWT/SSC[1]	8	3	–	–	–	11
Pension cost on defined benefit plans (expense+/ income–)	**37**	**18**	–2	0	**1**	**54**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Current service cost	25	6	3	–	–	34
Net interest	–1	4	–1	–1	0	1
Past service cost and settlements	14	–5	0	–	–	9
SWT/SSC[1]	7	0	–	–	–	7
Pension cost on defined benefit plans (expense+/ income–)	**45**	**5**	**2**	–1	**0**	**51**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2017, excluding past service cost and related SWT and SSC, the pension cost has increased in 2018 mainly as a consequence of the change of actuarial assumptions at the end of 2017.

Recognised in other comprehensive income

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Remeasurement of plan assets (actual return less interest income)	5	–20	7	3	6	1
SWT/SSC[1]	44	–6	–	–	–	38
Pension cost on defined benefit plans (expense+/income–)	**217**	**–38**	**–11**	**2**	**3**	**173**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Remeasurement of plan assets (actual return less interest income)	–49	–15	–31	4	3	–88
SWT/SSC[1]	36	–6	–	–	–	30
Pension cost on defined benefit plans (expense+/income–)	**184**	**–38**	**–30**	**7**	**–8**	**115**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation

G32. Retirement benefit obligations, cont.

between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover ongoing pension expenses as well to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2018 was 7.0% of the employees' wages below 7.1 average base amounts and 18.0% of the employees' wages above 7.1 average base amounts. Average base amounts are defined in the Norwegian National Insurance Act. The premium is calculated based on the average wages- and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2018 amounts to EUR 14m. Payments to the plan during 2018 covered 2,454 employees. The premium rate for 2019 will be on the same level as for 2018. The expected premiums in 2019 amounts to EUR 14m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 6m (EUR 7m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2018 were EUR 0m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2018	31 Dec 2017
Dated subordinated debenture loans	6,603	5,947
Undated subordinated debenture loans	168	242
Hybrid capital loans	2,384	2,798
Total	**9,155**	**8,987**

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.

G34. Assets pledged as security for own liabilities

EURm	31 Dec 2018	31 Dec 2017
Assets pledged for own liabilities		
Securities etc[1]	23,465	25,881
Loans to the public	144,707	138,882
Other assets pledged	3,727	34,210
Total	**171,899**	**198,973**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	13,062	14,575
Deposits and borrowings from the public	2,402	5,646
Derivatives	–	8,978
Debt securities in issue	107,647	106,379
Other liabilities and commitments	2,587	24,408
Total	**125,698**	**159,986**

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 G43 "Transferred assets and obtained collaterals".

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

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35. Other Assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 4,788m (EUR 4,923m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other 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.

G36. Contingent liabilities

EURm	31 Dec 2018	31 Dec 2017
Guarantees		
- Loan guarantees	2,434	4,443
- Other guarantees	13,949	12,892
Documentary credits	1,433	1,639
Other contingent liabilities	3	46
Total	**17,819**	**19,020**

In the normal business Nordea issues various forms of guarantees in favour of Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support Nordea´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. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings of Nordea Bank Abp.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

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 is considered likely to have any significant adverse effect on the Group or its financial position.

G37. Commitments

EURm	31 Dec 2018	31 Dec 2017
Unutilised overdraft facilities	29,626	29,956
Loan commitments	43,661	44,589
Future payment obligations	100	1,441
Other commitments	1,092	1,046
Total	**74,479**	**77,032**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2018 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2018. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1 “Accounting policies”, section 25, about derivatives, see Note G18 "Derivatives and Hedge accounting" and about reverse repurchase agreements, see Note G43 "Transferred assets and obtained collaterals".

G38. Capital adequacy

As from 2018 the Capital adequacy disclosures are not part of the financial statements. The disclosures for the Group can be found on page 262 and the disclosures for the parent company on page 274.

G39. Classification of financial instruments

Assets

31 Dec 2018, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings / joint ventures	Total
Cash and balances with central banks	41,578	–	–	–	–	–	41,578
Loans to central banks	6,446	1,196	–	–	–	–	7,642
Loans to credit institutions	8,827	2,493	–	–	–	–	11,320
Loans to the public	234,471	73,833	–	–	–	–	308,304
Interest-bearing securities	3,384	32,682	7,134	–	33,022	–	76,222
Financial instruments pledged as collateral	–	7,026	–	–	542	–	7,568
Shares	–	12,452	–	–	–	–	12,452
Assets in pooled schemes and unit-linked investment contracts	–	24,272	153	–	–	158	24,583
Derivatives	–	33,915	–	3,110	–	–	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk	169	–	–	–	–	–	169
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,601	1,601
Intangible assets	–	–	–	–	–	4,035	4,035
Properties and equipment	–	–	–	–	–	546	546
Investment properties	–	–	–	–	–	1,607	1,607
Deferred tax assets	–	–	–	–	–	164	164
Current tax assets	–	–	–	–	–	284	284
Retirement benefit assets	–	–	–	–	–	246	246
Other assets	955	12,473	–	–	–	1,321	14,749
Prepaid expenses and accrued income	989	–	–	–	–	324	1,313
Total	**296,819**	**200,342**	**7,287**	**3,110**	**33,564**	**10,286**	**551,408**

Liabilities

31 Dec 2018, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (fair value option)	Derivatives used for hedging	Non-financial liabilities	Total
Deposits by credit institutions	33,933	8,486	–	–	–	42,419
Deposits and borrowings from the public	158,433	6,525	–	–	–	164,958
Deposits in pooled schemes and unit-linked investment contracts	–	–	25,653	–	–	25,653
Liabilities to policyholders	–	–	3,234	–	14,996	18,230
Debt securities in issue	135,644	–	54,778	–	–	190,422
Derivatives	–	38,624	–	923	–	39,547
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,273	–	–	–	–	1,273
Current tax liabilities	–	–	–	–	414	414
Other liabilities	989	17,828	–	–	4,498	23,315
Accrued expenses and prepaid income	273	–	–	–	1,423	1,696
Deferred tax liabilities	–	–	–	–	706	706
Provisions	–	–	–	–	321	321
Retirement benefit liabilities	–	–	–	–	398	398
Subordinated liabilities	9,155	–	–	–	–	9,155
Total	**339,700**	**71,463**	**83,665**	**923**	**22,756**	**518,507**

G39. Classification of financial instruments, cont.

Assets

31 Dec 2017, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss (FVPL)			Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
			Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging				
Cash and balances with central banks	43,081	–	–	–	–	–	–	–	43,081
Loans to central banks	4,487	–	309	–	–	–	–	–	4,796
Loans to credit institutions	6,768	–	1,824	–	–	–	–	–	8,592
Loans to the public	235,525	–	21,852	52,781	–	–	–	–	310,158
Interest-bearing securities	–	3,093	27,825	8,034	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	–	6,489	–	–	–	–	–	6,489
Shares	–	–	5,254	11,926	–	–	–	–	17,180
Assets in pooled schemes and unit-linked investment contracts	–	–	–	25,728	–	–	151	–	25,879
Derivatives	–	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	1,235	–	1,235
Intangible assets	–	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	–	118	–	118
Current tax assets	–	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	–	250	–	250
Other assets	1,523	–	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	–	22,186	22,186
Total	**292,546**	**3,093**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**

Liabilities

31 Dec 2017, EURm	Financial liabilities at fair value through profit or loss (FVPL)			Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging				
Deposits by credit institutions	5,905	–	–	34,078	–	–	39,983
Deposits and borrowings from the public	9,075	29	–	163,330	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	26,333	–	–	–	–	26,333
Liabilities to policyholders	–	3,486	–	–	15,926	–	19,412
Debt securities in issue[1]		56,603	–	122,511	–	–	179,114
Derivatives[1]	41,607	–	1,106	–	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,450	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	24,421	–	–	2,833	1,261	–	28,515
Accrued expenses and prepaid income	–	–	–	246	1,357	–	1,603
Deferred tax liabilities	–	–	–	–	722	–	722
Provisions	–	–	–	–	329	–	329
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	–	–	–	8,987	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total	**81,008**	**86,451**	**1,106**	**333,435**	**20,265**	**26,031**	**548,296**

G39. Classification of financial instruments, cont.

Financial assets designated at fair value through profit or loss

EURm	2018 Financial assets	2017 Loans
Carrying amount per end of year	7,287	52,781
Maximum exposure to credit risk per end of year	7,287	52,781
Nominal amount of credit derivatives used to mitigate the maximum exposure to credit risk per end of the year	–	–
Changes in fair value due to changes in own credit risk, during the year	–	22
Changes in fair value due to changes in own credit risk, accumulated	–	125
Change in fair value of related credit derivatives, during the year	–	–
Change in fair value of related credit derivatives, accumulated	–	–

Assets designated at fair value through profit or loss (fair value option) per 31 December 2018 consist of all assets in Nordea Life and Pension held under investment contracts, EUR 7,134m. Also, assets in pooled schemes and unit-linked investment contracts in Life, EUR 153m, are per 31 December 2018 designated at fair value through profit or loss. For more information see Note G1 section 13. Nordea does not disclose the effect of changes in credit risk on the fair values of these assets and the fair value change in related credit derivatives, as such changes in value will directly result in significantly the same change in carrying amount of the corresponding liabilities to policyholders, i.e. there is no significant impact on the income statement or equity due to changes in credit risk of these assets in Life.

Lending designated at fair value through profit or loss exposed to changes in credit risk 31 December 2017 consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 52,641m and lending in the Markets operation, EUR 140m. The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 22m in 2017 due to changes in credit risk. The cumulative change per 31 December 2017 since designation is a decrease of EUR 125m. The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant.

Financial liabilities designated at fair value through profit or loss per 31 december 2018 consist of issued bonds in the Danish group undertakings Nordea Kredit Realkreditaktieselskab, EUR 51,616m (EUR 51,616m), issued structured bonds in Markets operation, EUR 3,162m (EUR 5,016m), deposits linked to the investment return of separate assets, EUR 3,964m (EUR 4,317m) and investment contracts and pooled schemes in Life, EUR 24,923m (EUR 25,502m). For issued structured bonds in Markets, changes in fair value due to changes in own credit risk is recognised in other comprehensive income and Nordea is calculating the change in own credit spread based on the change in Nordea's funding spread by assuming the liquidity premium for the issuance to be constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on issuance date and actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk. The value of the investment contracts in Life and asset linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

Changes in fair value due to changes in own credit risk of bonds issued in Nordea Kredit Realkreditaktieselskab, is calculated by determining the amount of changes in its fair value that is not attributable to changes in market conditions. The method used to estimate the amount of changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds. This model is assessed to provide the best estimate of the impact of own credit risk. The changes in own credit risk on issued mortgage bonds in Nordea Kredit Realkreditaktieselskab are not recognised in other comprehensive income as that would create an accounting missmatch with the corresponding change in fair value of the mortgage loans that is recognised in profit or loss. For this reason the whole change in the fair value of issued mortgage bonds in Nordea Kredit Realkreditaktieselskab is recognised in the income statement. For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans as a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loans.

Financial liabilities designated at fair value through profit or loss

	2018			2017	
EURm	Liabilities where changes in credit risk is presented in OCI	Liabilites where changes in credit risk is presented in profit or loss	Total	Liabilites where changes in credit risk is presented in profit or loss	Total
Carrying amount per end of the year	3,162	80,503	83,665	86,451	86,451
Amount to be paid at maturity[1]	3,322	81,600	84,922	99,567	99,567
Changes in fair value due to changes in own credit risk, during the year	20	–54	–34	78	78
Changes in fair value due to changes in own credit risk, accumulated	10	–550	–540	–496	–496

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. For these liabilities the amount disclosed to be paid at maturity has been set to the carrying amount.

G40. Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value	31 Dec 2017 Carrying amount	31 Dec 2017 Fair value
Financial assets				
Cash and balances with central banks	41,578	41,578	43,081	43,081
Loans	327,435	330,681	323,709	325,372
Interest-bearing securities	76,222	76,334	75,294	75,473
Financial instruments pledged as collateral	7,568	7,568	6,489	6,489
Shares	12,452	12,452	17,180	17,180
Assets in pooled schemes and unit-linked investment contracts	24,425	24,425	25,728	25,728
Derivatives	37,025	37,025	46,111	46,111
Other assets	13,428	13,428	11,795	11,795
Prepaid expenses and accrued income	989	989	999	999
Total	**541,122**	**544,480**	**550,386**	**552,228**

Fair value of financial assets and liabilities, cont.

EURm	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value	31 Dec 2017 Carrying amount	31 Dec 2017 Fair value
Financial liabilities				
Deposits and debt instruments	408,227	409,014	401,968	403,488
Deposits in pooled schemes and unit-linked investment contracts	25,653	25,653	26,333	26,333
Liabilities to policyholders	3,234	3,234	3,486	3,486
Derivatives	39,547	39,547	42,713	42,713
Other liabilities	18,817	18,817	27,254	27,254
Accrued expenses and prepaid income	273	273	246	246
Total	**495,751**	**496,538**	**502,000**	**503,520**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. 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" below.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2018, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	1,196	–	–	–	1,196
Loans to credit institutions	–	–	2,493	–	–	–	2,493
Loans to the public	–	–	73,833	–	–	–	73,833
Interest-bearing securities[2]	30,947	3,896	49,130	3,393	329	4	80,406
Shares	10,159	8,381	596	595	1,697	916	12,452
Assets in pooled schemes and unit-linked investment contracts	24,167	20,692	227	227	189	189	24,583
Derivatives	70	–	35,917	89	1,038	–	37,025
Investment properties	–	–	–	–	1,607	1,588	1,607
Other assets	–	–	12,399	–	74	–	12,473
Total	**65,343**	**32,969**	**175,791**	**4,304**	**4,934**	**2,697**	**246,068**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,486	–	–	–	8,486
Deposits and borrowings from the public	–	–	6,525	–	–	–	6,525
Deposits in pooled schemes and unit-linked investment contracts	–	–	25,653	21,689	–	–	25,653
Liabilities to policyholders	–	–	3,234	3,234	–	–	3,234
Debt securities in issue	12,405	–	39,746	–	2,627	–	54,778
Derivatives	42	–	38,482	80	1,023	–	39,547
Other liabilities	7,192	–	10,622	–	14	–	17,828
Total	**19,639**	**–**	**132,748**	**25,003**	**3,664**	**–**	**156,051**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,568m relates to the balance sheet item Financial instruments pledged as collateral.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2017, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	309	–	–	–	309
Loans to credit institutions	–	–	1,824	–	–	–	1,824
Loans to the public	–	–	74,633	–	–	–	74,633
Interest-bearing securities[2]	27,889	3,469	50,633	4,555	168	5	78,690
Shares	13,629	8,986	1,967	1,965	1,584	927	17,180
Assets in pooled schemes and unit-linked investment contracts	24,016	20,120	1,521	1,521	342	342	25,879
Derivatives	56	–	44,544	242	1,511	–	46,111
Investment properties	–	–	–	–	1,448	1,437	1,448
Other assets	–	–	10,272	–	–	–	10,272
Total	**65,590**	**32,575**	**185,703**	**8,283**	**5,053**	**2,711**	**256,346**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	5,905	14	–	–	5,905
Deposits and borrowings from the public	–	–	9,104	–	–	–	9,104
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	22,016	–	–	26,333
Liabilities to policyholders	–	–	3,486	3,486	–	–	3,486
Debt securities in issue	18,004	–	34,590	–	4,009	–	56,603
Derivatives	41	–	41,614	3	1,058	–	42,713
Other liabilities	8,701	–	15,720	–	–	–	24,421
Total	**26,746**	**–**	**136,752**	**25,519**	**5,067**	**–**	**168,565**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

2) Of which EUR 6,489m relates to the balance sheet item Financial instruments pledged as collateral.

Determination of fair value 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 inputs 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 inputs.

All valuation models, both complex and simple models, make use of market prices and inputs. These market prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names the option market is fairly illiquid, and hence implied 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

G40. Assets and liabilities at fair value, cont.

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. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model inputs are observable in active markets.

Valuations of Private Equity Funds, Credit Funds 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 IPEV Board. The guidelines are considered as best practice in the industry. For US based funds, similar methods are applied.

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called “match funding”. Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value from 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, Nordea obtains credit spreads from the credit default swap (CDS) market, and probabilities of defaults (PDs) are inferred from this data. For counterparties that do not have a liquid CDS, PDs are estimated using a cross sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

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 addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies.

Nordea has during 2018, changed the margin reset frequency assumption in the fair value model covering a loan portfolio in Denmark. The change generated a pre-tax gain of EUR 135m accounted for as "Net result from items at fair value" in the income statement.

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, Nordea transferred interest-bearing securities (including such financial instruments as pledged as collateral) of EUR 6,778m (EUR 3,175m) from Level 1 to Level 2 and EUR 3,169 (EUR 1,937) from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred derivative assets of EUR 4m (EUR 24m) and derivatives liabilities of EUR 2m (EUR 14m) from Level 2 to Level 1. Nordea has also transferred debt securities in issue of EUR 7,534m (EUR 33,613m) from Level 1 to Level 2 and EUR 384m (EUR -m) from Level 2 to Level 1. Further Nordea transferred other liabilities from Level 1 to Level 2 of EUR 1,494m (EUR -m) and EUR 128m (EUR -m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year. The reason for the transfer from Level 1 to Level 2 of debt securities in issue of EUR 33,613m and interest-bearing securities of EUR 1,046m during 2017 is an alignment of the classification process for the government bonds and mortgage bonds across different business areas within Nordea.

G40. Assets and liabilities at fair value, cont.

Movements in Level 3

2018, EURm	1 Jan 2018	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2018
Interest-bearing securities	168	–2	2	–	169	–9	2	–	–	–	–1	329
- of which Life	5	–	–	–	–	–	–	–	–	–	–1	4
Shares	1,584	130	66	–	317	–333	–64	5	–	–3	–5	1,697
- of which Life	927	84	12	–	103	–135	–64	5	–	–	–16	916
Assets in pooled schemes and unit-linked investment contracts	342	4	–7	–	–55	–86	–3	–	–	–	–6	189
- of which Life	342	4	–7	–	–55	–86	–3	–	–	–	–6	189
Derivatives (net)	453	–264	–431	–	–	18	246	3	–10	–	–	15
Other assets	–	–	–	–	6	–	–	68	–	–	–	74
- of which Life	–	–	–	–	–	–	–	40	–	–	–	40
Investment properties	1,448	–	57	–	131	–15	–	–	–	–	–14	1,607
- of which Life	1,437	–	57	–	113	–5	–	–	–	–	–14	1,588
Debt securities in issue	4,009	3	–585	–23	437	–	–1,215	1	–	–	–	2,627
Other Liabilities	–	–	–	–	–	–	–	14	–	–	–	14

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred 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 G5). Assets and liabilities related to derivatives are presented net.

2017, EURm	1 Jan 2017	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2017
Interest-bearing securities	210	1	7	–	28	–24	–1	–	–32	–20	–1	168
- of which Life	38	–	–	–	20	–	–	–	–32	–20	–1	5
Shares	3,785	9	–78	2	878	–692	–39	243	–47	–2,449	–28	1,584
- of which Life	3,185	7	–141	–	711	–521	–38	243	–47	–2,449	–23	927
Assets in pooled schemes and unit-linked investment contracts	155	–	6	–	37	–2	–2	152	–4	–	–	342
- of which Life	155	–	6	–	37	–2	–2	152	–4	–	–	342
Derivatives (net)	400	–152	–45	–	–	–	152	98	–1	–	1	453
Investment properties	3,119	–4	–7	–	425	–148	–	–	–6	–1,879	–52	1,448
- of which Life	3,104	–	–6	–	420	–145	–	–	–6	–1,879	–51	1,437
Debt securities in issue	–	–	–	–	–	–	–	4,009	–	–	–	4,009

G40. Assets and liabilities at fair value, cont.

The valuation processes for fair value measurements

Financial instruments

The valuation 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 business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk taking units in the front office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is as minimum carried out on a monthly basis and is for many products 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.

The valuation adjustment 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.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2018, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	323	–	Discounted cash flows	Credit spread	–32/32
Corporates	6	4	Discounted cash flows	Credit spread	–0/0
Total	**329**	**4**			**–32/32**
Shares					
Private equity funds	745	457	Net asset value[3]		–84/84
Hedge funds	102	83	Net asset value[3]		–6/6
Credit Funds	398	176	Net asset value/market consensus[3]		–33/33
Other funds	292	183	Net asset value/fund prices[3]		–26/26
Other[4]	191	48	–		–16/16
Total	**1,728**	**947**			**–165/165**
Derivatives					
Interest rate derivatives	259	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	–25	–	Option model	Correlations	–12/8
				Volatilities	
				Dividend	
Foreign exchange derivatives	–13	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–212	–	Credit derivative model	Correlations	–34/33
				Recovery rates	
				Volatilities	
Other	6	–	Option model	Correlations	–0/0
				Volatilities	
Total	**15**	**–**			**–59/55**
Debt securities in issue					
Issued structured bonds	2,627	–	Credit derivative model	Correlations	–13/13
				Recovery rates	
				Volatilities	
Total	**2,627**	**–**			**–13/13**
Other, net					
Other assets and Other liabilities, net	60	40			–7/7
Total	**60**	**40**			**–7/7**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) 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 Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 5% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 31m related to assets in pooled schemes and unit-linked investment.

The table above shows, 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 only the net impact is disclosed in the table. The ranges disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

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

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2017, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	162	–	Discounted cash flows	Credit spread	–1/1
Corporates	6	5	Discounted cash flows	Credit spread	–0/0
Total	**168**	**5**			**–1/1**
Shares					
Private equity funds	714	450	Net asset value[3]		–80/80
Hedge funds	118	88	Net asset value[3]		–10/10
Credit Funds	405	202	Net asset value/market consensus[3]		–28/28
Other funds	245	152	Net asset value/fund prices[3]		–21/21
Other[4]	293	226	–		–13/13
Total	**1,775**	**1,118**			**–152/152**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	76	–	Option model	Correlations	–14/7
				Volatilities	
				Dividend	
Foreign exchange derivatives	–2	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	25	–	Credit derivative model	Correlations	–14/12
				Recovery rates	
				Volatilities	
Other	22	–	Option model	Correlations	–0/0
				Volatilities	
Total	**453**	**–**			**–41/33**
Debt securities in issue					
Issued structured bonds	4,009	–	Credit derivative model	Correlations	–20/20
				Recovery rates	
				Volatilities	
Total	**4,009**	**–**			**–20/20**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) 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 Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 31% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 191m related to assets in pooled schemes and unit-linked investment.

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 of 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.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2018, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	620	620	Discounted cash flows	Market rent		
				- Office	102–729 EUR/m²	284 EUR/m²
				- Other	126 EUR/m²	126 EUR/m²
				Yield requirement		
				- Office	3.9%–6.0%	4.8%
				- Other	6.5%–9.5%	7.7%
Finland[3]	881	881	Discounted cash flows[2]	Market rent		
				- Commercial	144–233 EUR/m²	189 EUR/m²
				- Office	123–294 EUR/m²	208 EUR/m²
				- Apartment	189–306 EUR/m²	248 EUR/m²
				- Other	231–288 EUR/m²	260 EUR/m²
				Yield requirement		
				- Commercial	5.8%–7.0%	6.4%
				- Office	4.3%–8.3%	6.3%
				- Apartment	3.3%–4.8%	4.0%
				- Other	4.5%–6.3%	5.4%
Sweden	245	245	Discounted cash flows[2]	Market rent		
				- Commercial	66–209 EUR/m₂	124 EUR/m²
				- Office	233 EUR/m²	233 EUR/m²
				- Apartment	169–179 EUR/m²	174 EUR/m²
				- Other	66 EUR/m²	66 EUR/m²
				Yield requirement		
				- Commercial	5.3%–6.8%	5.8%
				- Office	4.6%–5.0%	4.8%
				- Apartment	3.8%–4.7%	4.0%
				- Other	7.0%–7.2%	7.1%
Other	19	–	Discounted cash flows	–	–	–
Total	**1,765**	**1,746**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 158m related to investment properties in pooled schemes and unit-linked investments in Life.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2017, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	530	530	Discounted cash flows	Market rent		
				- Commercial	273 EUR/m^2	273 EUR/m^2
				- Office	194–737 EUR/m^2	283 EUR/m^2
				- Apartment	206 EUR/m^2	206 EUR/m^2
				- Other	128 EUR/m^2	128 EUR/m^2
				Yield requirement		
				- Commercial	5.7%–5.7%	5.7%
				- Office	3.9%–6.4%	5.1%
				- Apartment	4.5%–4.5%	4.5%
				- Other	6.0%–9.5%	7.0%
Finland[3]	839	839	Discounted cash flows[2]	Market rent		
				- Commercial	150–240 EUR/m^2	195 EUR/m^2
				- Office	98–300 EUR/m^2	199 EUR/m^2
				- Apartment	189–297 EUR/m^2	243 EUR/m^2
				- Other	225–279 EUR/m^2	252 EUR/m^2
				Yield requirement		
				- Commercial	5.8%–7.0%	6.4%
				- Office	4.5%–8.3%	6.4%
				- Apartment	3.3%–4.8%	4.0%
				- Other	4.5%–6.3%	5.4%
Sweden	219	219	Discounted cash flows[2]	Market rent		
				- Commercial	114–213 EUR/m$_2$	149 EUR/m^2
				- Office	238–239 EUR/m^2	239 EUR/m^2
				- Apartment	167–172 EUR/m^2	169 EUR/m^2
				- Other	67–82 EUR/m^2	69 EUR/m^2
				Yield requirement		
				- Commercial	5.5%–6.5%	6.0%
				- Office	4.8%–5.1%	4.9%
				- Apartment	3.8%–4.8%	4.3%
				- Other	5.8%–7.3%	6.1%
Other	11	–	Discounted cash flows	–	–	–
Total	**1,599**	**1,588**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 151m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see, Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

G40. Assets and liabilities at fair value, cont.

Deferred day 1 profit – derivatives, net

EURm	2018	2017
Amount at beginning of year	58	23
Deferred profit/loss on new transactions	62	89
Recognised in the income statement during the year[1]	–39	–54
Amount at end of year	**81**	**58**

1) Of which EUR –m (EUR –2m) due to transfers of derivatives from Level 3 to Level 2.

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

	31 Dec 2018		31 Dec 2017		
EURm	Carrying amount	Fair value	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	41,578	41,578	43,081	43,081	3
Loans	249,913	253,159	246,943	248,606	3
Interest-bearing securities	3,384	3,496	3,093	3,272	1,2
Other assets	955	955	1,523	1,523	3
Prepaid expenses and accrued income	989	989	999	999	3
Total	**296,819**	**300,177**	**295,639**	**297,481**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	338,438	339,225	330,356	331,876	3
Other liabilities	989	989	2,833	2,833	3
Accrued expenses and prepaid income	273	273	246	246	3
Total	**339,700**	**340,487**	**333,435**	**334,955**	

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 is 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 Personal Banking, Commercial & Business 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 3,496m (EUR 3,272m), of which EUR 0m (EUR 92m) is categorised in Level 1 and EUR 3,496m (EUR 3,180m) in Level 2. 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 the 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.

G41. Financial instruments set off on balance or subject to netting agreements

31 Dec 2018, 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[3]	110,616	–73,806	36,810	–22,881	–	–10,183	3,746
Reverse repurchase agreements	37,336	–12,448	24,888	–	–24,888	–	0
Securities borrowing agreements	4,176	–	4,176	–	–2,444	–	1,732
Variation margin	453	–453	0	–	–	–	0
Total	**152,581**	**–86,707**	**65,874**	**–22,881**	**–27,332**	**–10,183**	**5,478**

31 Dec 2018, 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[3]	107,209	–70,998	36,211	–22,881	–	–4,311	9,019
Repurchase agreements	29,092	–12,448	16,644	–	–16,644	–	0
Securities lending agreements	2,963	–	2,963	–	–3,703	–	–740
Variation margin	3,261	–3,261	0	–	–	–	0
Total	**142,525**	**–86,707**	**55,818**	**–22,881**	**–20,347**	**–4,311**	**8,279**

1) All amounts are measured at fair value, except for reversed repurchase agreements of EUR 3,217m and repurchase agreements of EUR 3,210m which are measured at amortised cost.
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.
3) For derivatives cleared through Central Counterparties, Nordea offsets on the balance sheet for 2018 the cash collateral receivables and liabilities against the relating derivative liabilities and derivative assets respectively when the transactions currency is the same.

31 Dec 2017, 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	171,059	–125,509	45,550	–29,391	–	–8,868	7,291
Reverse repurchase agreements	28,926	–10,107	18,819	–	–18,819	–	0
Securities borrowing agreements	5,781	–	5,781	–	–5,781	–	0
Total	**205,766**	**–135,616**	**70,150**	**–29,391**	**–24,600**	**–8,868**	**7,291**

31 Dec 2017, 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	167,406	–125,509	41,897	–29,391	–	–9,611	2,895
Repurchase agreements	23,075	–10,107	12,968	–	–12,968	–	–
Securities lending agreements	3,917	–	3,917	–	–3,917	–	–
Total	**194,398**	**–135,616**	**58,782**	**–29,391**	**–16,885**	**–9,611**	**2,895**

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.

G41. 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 in the case of default by its counter parties, in any calculations involving counterparty credit risk.

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

G42. Disposal groups held for sale

Balance sheet – Condensed[1]

EURm	2018	2017
Assets		
Loans to credit institutions	–	394
Interest-bearing securities	–	6,051
Financial instruments pledged as collateral	–	1,477
Shares	–	10,361
Derivatives	–	1,184
Investments	–	267
Investment property	–	1,879
Other assets	–	573
Total assets held for sale	**–**	**22,186**
Liabilities		
Deposits by credit institutions	–	643
Liabilities to policyholders	–	23,316
Derivativies	–	810
Current tax	–	921
Other liabilities	–	341
Total liabilities held for sale	**–**	**26,031**

1) Includes the external assets and liabilities held for sale.

Assets and liabilities held for sale as of 31 December 2017 relate to Nordea's earlier announced decision to sell additional 45 per cent of the shares in Danish Nordea Liv & Pension, livforsikringsselskab A/S. The disposal group was closed, and the assets and liabilities held for sale derecognise from Nordea's balance sheet, during the second quarter 2018. The disposal group is included in "Life & Pension unallocated" in Note G2 "Segment reporting".

G43. Transferred assets and obtained collaterals

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

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

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

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

As both repurchase agreements and securities lending transactions result in that securities are returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterparts in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

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

EURm	31 Dec 2018	31 Dec 2017
Repurchase agreements		
Interest-bearing securities	7,568	6,489
Securities lending agreements		
Shares	–	–
Total	**7,568**	**6,489**

Liabilities associated with the assets

EURm	31 Dec 2018	31 Dec 2017
Repurchase agreements	7,564	6,566
Securities lending agreements	–	–
Securitisations	–	–
Total	**7,564**	**6,566**
Net	**4**	**–77**

G43. Transferred assets and obtained collaterals, cont.

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2018	31 Dec 2017
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	35,632	28,706
- of which repledged or sold	19,661	16,263
Securities borrowing agreements		
Received collaterals which can be repledged or sold	5,648	7,138
- of which repledged or sold	2,980	–
Total	**41,280**	**35,844**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2018 Expected to be recovered or settled:			31 Dec 2017 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		41,578	–	41,578	43,081	–	43,081
Loans to central banks	G13	7,642	–	7,642	4,796	–	4,796
Loans to credit institutions	G13	10,856	464	11,320	7,143	1,449	8,592
Loans to the public	G13	77,834	230,470	308,304	85,059	225,099	310,158
Interest-bearing securities	G14	36,619	39,603	76,222	22,594	52,700	75,294
Financial instruments pledged as collateral	G15	7,568	–	7,568	3,496	2,993	6,489
Shares	G16	6,049	6,403	12,452	6,680	10,500	17,180
Assets in pooled schemes and unit-linked investment contracts	G17	17,314	7,269	24,583	16,832	9,047	25,879
Derivatives	G18	7,463	29,562	37,025	8,674	37,437	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		74	95	169	13	150	163
Investments in associated undertakings and joint ventures	G19	139	1,462	1,601	–	1,235	1,235
Intangible assets	G20	205	3,830	4,035	89	3,894	3,983
Properties and equipment		127	419	546	81	543	624
Investment properties	G22	16	1,591	1,607	8	1,440	1,448
Deferred tax assets	G11	17	147	164	54	64	118
Current tax assets		284	–	284	121	–	121
Retirement benefit assets	G32	–	246	246	0	250	250
Other assets	G23	14,554	195	14,749	12,391	50	12,441
Prepaid expenses and accrued income	G24	1,094	219	1,313	1,121	342	1,463
Assets held for sale	G42	–	–	–	22,186	–	22,186
Total assets		**229,433**	**321,975**	**551,408**	**234,419**	**347,193**	**581,612**
Deposits by credit institutions	G25	36,690	5,729	42,419	35,438	4,545	39,983
Deposits and borrowings from the public	G26	159,718	5,240	164,958	148,706	23,728	172,434
Deposits in pooled schemes and unit-linked investment contracts	G17	5,242	20,411	25,653	5,632	20,701	26,333
Liabilities to policyholders	G27	1,939	16,291	18,230	2,086	17,326	19,412
Debt securities in issue	G28	71,549	118,873	190,422	64,930	114,184	179,114
Derivatives	G18	8,168	31,379	39,547	7,462	35,251	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk		616	657	1,273	571	879	1,450
Current tax liabilities		414	–	414	389	–	389
Other liabilities	G29	23,233	82	23,315	28,290	225	28,515

G44. Maturity analysis for assets and liabilities, cont

Expected maturity, cont.

		31 Dec 2018 Expected to be recovered or settled:			31 Dec 2017 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Accrued expenses and prepaid income	G30	1,646	50	1,696	1,547	56	1,603
Deferred tax liabilities	G11	40	666	706	94	628	722
Provisions	G31	250	71	321	289	40	329
Retirement benefit liabilities	G32	–	398	398	11	270	281
Subordinated liabilities	G33	536	8,619	9,155	943	8,044	8,987
Liabilities held for sale	G42	–	–	–	26,031	–	26,031
Total liabilities		**310,041**	**208,466**	**518,507**	**322,419**	**225,877**	**548,296**

Contractual undiscounted cash flows

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	56,154	84,802	49,015	143,084	210,748	543,803
Non interest-bearing financial assets	–	–	–	–	61,648	61,648
Non-financial assets	–	–	–	–	10,286	10,286
Total assets	**56,154**	**84,802**	**49,015**	**143,084**	**282,682**	**615,737**
Interest-bearing financial liabilities	148,248	99,049	42,558	104,831	37,452	432,138
Non interest-bearing financial liabilities	–	–	–	–	104,805	104,805
Non-financial liabilities and equity	–	–	–	–	55,657	55,657
Total liabilities and equity	**148,248**	**99,049**	**42,558**	**104,831**	**197,914**	**592,600**
Derivatives, cash inflow	–	574,388	174,708	264,725	89,041	1,102,862
Derivatives, cash outflow	–	565,441	174,087	273,162	90,700	1,103,390
Net exposure	**–**	**8,947**	**621**	**–8,437**	**–1,659**	**–528**
Exposure	**–92,094**	**–5,300**	**7,078**	**29,816**	**83,109**	**22.609**
Cumulative exposure	**–92,094**	**–97,394**	**–90,316**	**–60,500**	**22,609**	**–**

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	55,643	75,852	47,530	145,601	222,431	547,057
Non interest-bearing financial assets	–	–	–	–	87,092	87,092
Non-financial assets	–	–	–	–	9,040	9,040
Total assets	**55,643**	**75,852**	**47,530**	**145,601**	**318,563**	**643,189**
Interest-bearing financial liabilities	142,574	95,830	42,631	103,679	41,550	426,264
Non interest-bearing financial liabilities	–	–	–	–	138,692	138,692
Non-financial liabilities and equity	–	–	–	–	53,581	53,581
Total liabilities and equity	**142,574**	**95,830**	**42,631**	**103,679**	**233,823**	**618,537**
Derivatives, cash inflow	–	551,182	142,235	241,873	15,695	950,985
Derivatives, cash outflow	–	547,892	139,470	246,203	16,221	949,786
Net exposure	**–**	**3,290**	**2,765**	**–4,330**	**–526**	**1,199**
Exposure	**–86,931**	**–16,688**	**7,664**	**37,592**	**84,214**	**25,851**
Cumulative exposure	**–86,931**	**–103,619**	**–95,955**	**–58,363**	**25,851**	**–**

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 73,287m (EUR 74,545m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 16,383m (EUR 17,335m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

EURm	Associated undertakings and joint ventures 31 Dec 2018	Associated undertakings and joint ventures 31 Dec 2017	Other related parties[1] 31 Dec 2018	Other related parties[1] 31 Dec 2017
Assets				
Loans	498	170	–	–
Interest-bearing securities	1,635	0	–	–
Derivatives	142	2	–	–
Other assets	2	–	–	–
Total assets	**2,277**	**172**	**–**	**–**
Liabilities				
Deposits	587	17	62	77
Debt securities in issue	25	–	–	–
Derivatives	226	0	–	–
Other liabilities	107	–	–	–
Total liabilities	**945**	**17**	**62**	**77**
Off balance[2]	**1,923**	**2,075**	**–**	**–**

EURm	Associated undertakings and joint ventures 2018	Associated undertakings and joint ventures 2017	Other related parties[1] 2018	Other related parties[1] 2017
Net interest income	23	1	–	–
Net fee and commission income	–15	3	–	–
Net result from items at fair value	–428	51	–	–
Other operating income	1	–	–	–
Total operating expenses	–15	–	–	–
Profit before loan losses	**–434**	**55**	**–**	**–**

1) Shareholders with significant influence and close family members to key management personell in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

2) Including nominal values on derivatives.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the accumulated negative fair value of the contract as of the balance sheet date amounts to approx EUR 23m. This agreement was terminated 31 December 2017 and the final payment of the Portfolio Performance Amount was paid 15 January 2018 including a termination fee.

G46. Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2018, which is available on www.nordea.com. The first section of this note is based on accounting data for the Nordea Group, while the second part of the note is collected from the Pillar III report. The second section of the note includes a reconcilation between accounting data and credit risk data in accordance with the CRR requirements. The Pillar III report contains the disclosures required by the Capital Requirements Regulation (CRR) for the "consolidated situation", which is smaller in scope than the consolidated accounts as eg Nordea Life and Pensions are not included. The Pillar III disclosure is aligned to how Nordea manages credit risk and most adequaly reflects the credit risk in Nordea.

Credit risk disclosures based on accounting data

Allowances for credit risk

EURm	Note	31 Dec 2018	31 Dec 2017
Loans to central banks and credit institutions	G13	15	1
Loans to the public	G13	2,025	2,332
Interest bearing securities measured at fair value through other comprehensive income or amortised cost	G14	2	–
Off balance sheet items	G31	121	91
Total		**2,163**	**2,424**

Maximum exposure to credit risk

		31 Dec 2018		31 Dec 2017	
EURm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to central banks and credit institutions	G13	15,287	3,689	11,256	2,133
Loans to the public	G13	236,497	73,833	237,857	74,633
Interest bearing securities	G14	36,951	46,841	39,435	42,348
Derivatives	G18	–	37,025	–	46,111
Off balance sheet items	G36 + G37	89,495	175	91,880	247
Total		**378,230**	**161,563**	**380,428**	**165,472**

Forbearance

EURm	31 Dec 2018	31 Dec 2017
Forborne loans	3,561	5,357
- of which defaulted	2,267	2,896
Allowances for individually assessed impaired and forborne loans	714	802
- of which defaulted	693	796

Key ratios	31 Dec 2018	31 Dec 2017
Forbearance ratio[1]	1.1%	1.7%
Forbearance coverage ratio[2]	20%	15%
- of which defaulted	31%	27%

1) Forborne loans/Loans before allowances.
2) Individual allowances/Forborne loans.

Additional information on forbearance is disclosed in the risk management section, page 55.

Assets taken over for protection of claims[1]

EURm	31 Dec 2018	31 Dec 2017
Current assets, carrying amount:		
Land and buildings	19	9
Shares and other participations	0	1
Other assets	2	2
Total	**21**	**12**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2018 EUR 1,235m, up from EUR 747m one year ago, and past due loans for household customers increased to EUR 1,636m (EUR 1,286m).

G46. Credit risk disclosures, cont.

EURm	31 Dec 2018 Corporate customers	31 Dec 2018 Household customers	31 Dec 2017 Corporate customers	31 Dec 2017 Household customers
6–30 days	701	657	374	802
31–60 days	89	233	133	233
61–90 days	35	111	84	84
>90 days	410	635	156	167
Total	**1,235**	**1,636**	**747**	**1,286**
Past due not impaired loans divided by loans to the public after allowances, %	0.73	1.04	0.51	0.81

Loans to corporate customers, by size of loans

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 66% (68%) of the corporate volume represents loans up to EUR 50m per customer.

Size in EURm	31 Dec 2018 Loans EURbn	31 Dec 2018 %	31 Dec 2017 Loans EURbn	31 Dec 2017 %
0–10	62.6	42	64.2	44
10–50	35.0	24	35.8	24
50–100	19.4	13	19.5	13
100–250	17.4	12	17.0	12
250–500	5.4	4	5.9	4
500–	7.6	5	4.6	3
Total	**147.4**	**100**	**147.0**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 "Interest-bearing securities" where the carrying amount of interest-bearing securities is split on different types of counterparties.

Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. Nordea uses a relative trigger of 250% and an absolute trigger of 150 basis points. If the relative trigger would have been set to 200% and the absolute trigger to 100 basis points, the provisions would have increased by EUR 33m. This also includes the effect of using one notch less as trigger for loans where rating/scoring is used to decide stage. For more information on the rating scal and average PDs, see Note G13.

Had the relative trigger been set to 300% and the absolute trigger been set to 200 basis points, the provisions would have decreased by EUR 41m. This also includes the effect of using one more notch as trigger for loans where rating/scoring is used to decide stage.

The provisions are sensitive to rating migration even if triggers are not reached. The table below shows the impact on provisions from a one notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures as well as the impact of transferring from stage 1 to stage 2 for those exposures that reach the trigger. It also includes the impact from the exposures with one rating grade above default becoming default, which is estimated at EUR 120m. This figure is based on calculations with the statistical model rather than individual estimates that would be the case in reality for material defaulted loans.

EURm	Recognised provisions	Provisions if one notch downgrade
Personal Banking	339	472
Commercial and Business Banking	998	1,145
Wholesale Banking	752	838
Other	74	84
Group	**2,163**	**2,539**

Forward looking information

Forward looking information is used both for assessing significant increase in credit risk and in the calculation of expected credit losses. Nordea estimates three macro-economic scenarios, a baseline together with an upside and a downside scenario.

The baseline macroeconomic and financial scenario is provided by Nordea Economic Research based on an Oxford Economics model. The macro economic forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historic relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years and for periods beyond, a long-term average is used.

The definition of the upside and downside scenarios are based on Oxford Economics' quarterly Global Risk Survey. In this survey respondents report what they see as the top upside and downside global economic risks over the next two years. Based on these answers Oxford Economics create a number of global economic scenarios, each simulating a potential materialisation of one of these top risk factors. Oxford Economics also assign a probability to each scenario, based on the Global Risk Survey. Nordea use these scenarios and probabilities from Oxford Economics when defining the upside and downside scenarios. For 2018, the following weights have been applied: base 60%, adverse 20% and favourable 20%. The model results are assessed and, if needed, adjusted by Nordea's country responsible macro and financial analysts, using judgement based on previous similar episodes to ensure consistency across countries and asset prices. Adjustments are for instance needed when certain industries are impacted, or when sanctions are placed on individual countries, but changes have not yet been reflected in rating migrations.

Checks of the model results are performed by reviewing quantitative data before and after reactions. As part of the process to ensure accurate and consistent data deliveries from Nordea's economists, the data is also subject to a number of statistical tests.

G46. Credit risk disclosures, cont.

	Base	Adverse	Favourable
Denmark			
GDP growth, %	0.7–3.1	−0.3–3.6	0.7–3.5
Unemployment, %	3.9–4.0	4.0–5.2	3.6–4.1
Change in household consumption, %	1.2–3.5	0.8–3.1	1.0–3.8
Change in house prices, %	3.1–4.6	−1.9–5.0	0.8–6.3
Finland			
GDP growth, %	1.0–2.1	−0.2–2.7	0.6–2.5
Unemployment, %	7.0–7.2	6.9–8.0	6.7–7.2
Change in household consumption, %	1.0–2.1	0.4–1.9	0.8–2.5
Change in house prices, %	0.3–2.2	−4.6–3.2	−0.3–2.4
Norway			
GDP growth, %	1.5–2.0	0.7–2.4	1.2–2.4
Unemployment, %	3.3–3.7	3.3–4.4	3.1–3.6
Change in household consumption, %	1.4–2.1	0.5–2.1	1.4–2.5
Change in house prices, %	3.0–3.9	−1.6–8.1	−0.5–8.9
Sweden			
GDP growth, %	1.8–2.5	0.9–3.8	1.2–3.1
Unemployment, %	5.4–6.3	5.4–7.3	5.3–6.1
Change in household consumption, %	1.7–2.4	1.1–3.5	1.4–2.7
Change in house prices, %	2.1–3.8	0.4–5.4	1.1–4.4

Provisions calculated under different scenarios

	Base	Adverse	Favourable	Weighted average	Individual provisions and adjustments	Recognised provisions
Personal Banking	204	206	203	204	135	339
Commercial and Business Banking	213	220	210	214	784	998
Wholesale Banking	141	147	139	142	610	752
Other	33	33	33	33	41	74
Group	**591**	**606**	**585**	**593**	**1,570**	**2,163**

Credit risk disclosures based on Pillar III data

Exposure types[1]

EURm	31 Dec 2018	31 Dec 2017
On-balance sheet items	409,957	404,263
Off-balance sheet items	46,472	48,515
Securities financing	4,855	5,310
Derivatives	14,865	17,520
Total exposure	**476,149**	**475,608**

1) Securitisation positions are included in the table.

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 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 into exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

G46. Credit risk disclosures, cont.

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

The table below shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items

The following items are excluded from the balance sheet, when on-balance sheet exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- 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:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- “Assets pledged as security for own liabilities” and “Other assets pledged” (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing

The fair value of derivatives is recognised on the balance sheet 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[1]

EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items not according to CRR	Other	Balance sheet
31 Dec 2018						
Cash and balances with central banks	42,912	–	–	–	–1,334	41,578
Loans to credit institutions and central banks	8,376	–	8,295	385	1,906	18,962
Loans to the public	293,515	–	20,771	–1,385	–4,597	308,304
Interest-bearing securities and pledged instruments	59,432	13,932	–	10,429	–3	83,790
Derivatives[2]	–	–	36,947	78	–	37,025
Intangible assets	–	–	–	154	3,881	4,035
Other assets and prepaid expenses	6,061	16,281	–	32,481	2,891	57,714
Total assets	**410,296**	**30,213**	**66,013**	**42,142**	**2,744**	**551,408**
Total exposure[3]	**409,957**					
31 Dec 2017						
Cash and balances with central banks	44,503	–	–	0	–1,422	43,081
Loans to credit institutions and central banks	9,396	2	3,951	218	–179	13,388
Loans to the public	293,240	–2	23,084	–3,059	–3,105	310,158
Interest-bearing securities and pledged instruments	52,482	18,272	–	11,028	–	81,782
Derivatives[2]	0	–	47,370	–1,259	–	46,111
Intangible assets	–	–	–	153	3,829	3,983
Other assets and prepaid expenses	5,831	20,691	–	55,968	620	83,109
Total assets	**405,452**	**38,963**	**74,405**	**63,049**	**–257**	**581,612**
Total exposure[3]	**404,263**					

1) Securitisation positions to an original exposure amount of 6,907 EURm and an exposure amount of 6,907 EURm are includen in the table.
2) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.
3) The on-balance exposures 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.

G46. Credit risk disclosures, cont.

Off-balance sheet items[1]

31 Dec 2018, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	17,819	–	–	17,819
Commitments	74,315	164	–	74,479
Total	**92,134**	**164**	**–**	**92,298**

31 Dec 2018, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	41,194	463	41,657	50%	21,028
Checking accounts	17,953	213	18,166	51%	9,220
Loan commitments	14,025	2,313	16,338	62%	10,054
Guarantees	16,827	–	16,827	35%	5,878
Other	2,135	–	2,135	14%	292
Total	**92,134**	**2,989**	**95,123**		**46,472**

31 Dec 2017, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	18,978	42	–	19,020
Commitments	75,553	1,479	–	77,032
Total	**94,531**	**1,521**	**–**	**96,052**

31 Dec 2017, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	39,725	4,231	43,956	51%	22,426
Checking accounts	19,333	48	19,381	53%	10,189
Loan commitments	16,485	1,064	17,549	52%	9,167
Guarantees	17,783	–	17,783	36%	6,361
Other	1,205	–	1,205	31%	372
Total	**94,531**	**5,343**	**99,874**		**48,515**

1) Securitisation positions are included in the table.

G46. Credit risk disclosures, cont.

Exposure classes split by exposure type

31 Dec 2018, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	82,490	859	656	2,882	86,887
Institutions	36,021	776	2,637	4,444	43,878
Corporate	109,742	26,301	1,134	7,162	144,339
Retail[1]	167,572	17,159	–	72	184,803
Securitisation	6,946	1,319	–	–	8,265
Other	7,186	58	428	305	7,977
Total exposure	**409,957**	**46,472**	**4,855**	**14,865**	**476,149**

31 Dec 2017, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,068	1,053	1,662	3,975	84,758
Institutions	33,719	817	2,475	5,422	42,433
Corporate	109,735	27,969	1,168	8,031	146,903
Retail[1]	167,876	17,051	2	79	185,008
Securitisation	6,813	1,586	–	–	8,399
Other	8,052	39	3	13	8,107
Total exposure	**404,263**	**48,515**	**5,310**	**17,520**	**475,608**

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

31 Dec 2018, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	56,889	8,009	32,428	3,351	13,101	1,465	203	21,964	6,366	86,887
Institutions	34,919	18,732	267	5,916	10,004	9	205	561	8,184	43,878
Corporate	118,481	37,096	25,169	26,314	29,902	3,958	1,503	2,250	18,147	144,339
Retail[1]	179,258	51,836	39,896	31,908	55,618	3,751	18	204	1,572	184,803
Other	4,321	850	1,665	952	854	533	14	139	2,970	7,977
Total exposure[2]	**393,868**	**116,523**	**99,425**	**68,441**	**109,479**	**9,716**	**1,943**	**25,118**	**37,239**	**467,884**

31 Dec 2017, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	44,074	6,877	24,091	3,494	9,612	1,603	211	28,343	10,527	84,758
Institutions	32,515	14,795	184	6,261	11,275	48	128	525	9,217	42,433
Corporate	120,309	37,717	25,023	26,604	30,965	4,482	1,990	1,848	18,274	146,903
Retail[1]	180,117	52,072	41,651	30,566	55,828	1,322	14	213	3,342	185,008
Other	3,948	976	415	875	1,682	3,244	48	356	511	8,107
Total exposure[2]	**380,963**	**112,437**	**91,364**	**67,800**	**109,362**	**10,699**	**2,391**	**31,285**	**41,871**	**467,209**

1) Includes exposures secured by real estate.
2) Securitisation positions are not included in the table.

In the table below, total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community). The industry group which has the largest share of total exposures is other, public and organisations; they account for 59% of total exposure.

G46. Credit risk disclosures, cont.

Exposure split by industry sector[1]

EURm	31 Dec 2018	31 Dec 2017
Construction and engineering	5,721	6,136
Consumer durables (cars, appliances etc)	2,632	2,945
Consumer staples (food, agriculture etc)	11,683	11,570
Energy (oil, gas etc)	2,311	2,923
Health care and pharmaceuticals	1,768	1,425
Industrial capital goods	3,300	3,871
Industrial commercial services	14,080	15,276
IT software, hardware and services	1,956	1,826
Media and leisure	2,194	2,403
Metals and mining materials	893	997
Other financial institutions	64,370	60,322
Other materials (chemical, building materials etc)	5,218	5,336
Other, public and organisations	274,627	273,007
Paper and forest material	1,908	1,559
Real estate management and investment	44,139	44,964
Retail trade	10,193	10,960
Shipping and offshore	9,224	9,500
Telecommunication equipment	209	209
Telecommunication operators	1,409	1,452
Transportation	3,993	4,279
Utilities distribution and production	6,056	6,249
Total exposure	**467,884**	**467,209**

1) Securitisation positions are not included in the table.

At the end of 2018, the share of total exposure secured by eligible collateral remained stable at 44% (44%). The proportion has remained relatively stable during the period. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2018, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	87,657	86,887	350	0
Institutions	45,405	43,878	167	166
Corporate	177,749	144,339	11,175	62,918
Retail[1]	196,738	184,803	2,283	142,098
Other	8,316	7,977	6	0
Total exposure[2]	**515,865**	**467,884**	**13,981**	**205,182**

31 Dec 2017, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	86,588	84,758	522	893
Institutions	45,094	42,433	205	196
Corporate	184,070	146,903	10,849	60,677
Retail[1]	194,360	185,008	2,286	143,992
Other	8,570	8,107	41	52
Total exposure[2]	**518,682**	**467,209**	**13,903**	**205,810**

1) Includes exposures secured by real estates.
2) Securitisation positions are not included in the table.

G46. Credit risk disclosures, cont.

Collateral distribution

The table presents the distribution of collateral used in the capital adequacy calculation process. The table shows that real estate collateral had the majority share with 73% (74%) of total eligible collateral. Commerical real estate increased somewhat to 18% (17%). For the other collateral categories, the proportions remained relatively stable in 2018.

	31 Dec 2018	31 Dec 2017
Financial Collateral	1.1%	1.2%
Receivables	0.9%	0.9%
Residential Real Estate	72.9%	73.7%
Commercial Real Estate	18.3%	16.6%
Other Physical Collateral	6.8%	7.6%
Total	**100.0%**	**100.0%**

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2018, the proportion of the lowest LTV bucket increased slightly, offset by all other LTV buckets.

	31 Dec 2018		31 Dec 2017	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	110.9	81	110.3	80
50–70%	19.6	14	20.2	15
70–80%	4.3	3	4.6	3
80–90%	1.2	1	1.4	1
>90%	0.6	1	0.7	1
Total	**136.6**	**100**	**137.2**	**100**

Collateralised Debt Obligations (CDO)

Nordea acts as an intermediary in the credit derivatives market, mainly 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 derivative transactions create counterparty credit risk in a 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.

G47. 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.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,060m (EUR 1,060m) and at year-end EUR 938 (EUR 895m) were utilised. Total assets in the conduit were EUR 971m (EUR 923m) as per year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from that the payments are dependent on the pace in which Viking releases its assets.

Kalmar Structured Finance A/S was established to allow customers to invest instructured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 1m (EUR 1m) at year end. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m (EUR 1m) at year end.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 125m (EUR 125m) and at year-end EUR 114m (EUR 113m) were utilised. The entity holds assets of EUR 117m (EUR 125m) as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest but do not control, 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 interests 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:
a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) to hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value on investment funds held on behalf of other policyholders are to a large extent passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value

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 3m (EUR 6m), net of hedges.

Investments in illiquid private equity and credit funds are an integrated part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated to EUR 509m (EUR 469m), equal to the investment in the funds.
Nordeas interests in unconsolidated structured entities and any related liability are disclosed in the table below.

EURm	31 Dec 2018	31 Dec 2017
Assets, carrying amount:		
Shares	8,044	9,306
Assets in pooled schemes and unit linked investment contracts	22,179	21,630
Assets held for sale	–	8,389
Total assets	**30,223**	**39,325**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit linked investment contracts	856	787
Liabilities to policyholders	28,758	29,937
Liabilities held for sale	–	8,389
Total liabilities	**29,614**	**39,113**
Off balance, nominal amount:		
Loan commitments	0	0

Nordea holds approximately 2,500 different funds which are classified as unconsolidated structured entities, of which approximately 400 are managed by Nordea. These have different investment mandates and risk appetites, ranging from low risk government bond funds to high risk leveraged equity funds. Total assets in funds managed by Nordea are EUR 151bn (EUR 165bn). All funds are financed by deposits from the holders of fund units. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and is thus not disclosed.

Nordea has not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

G48. Country by country reporting

The table below presents for each country where Nordea is established, i.e. where Nordea has a physical presence, information about the businesses, the geographical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not recieved any significant government subsidarieses.

			2018				2017			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	8,505	2,652	898	–159	9,136	2,929	1,099	–227
Finland	RB, WB, AM, LP	Finland	6,459	1,818	694	–164	7,032	1,986	976	–211
Sweden	RB, WB, AM, LP	Sweden	7,055	2,921	1,080	–302	7,462	2,647	541	–183
Norway	RB, WB, AM, LP	Norway	2,962	1,668	1,061	–161	3,127	1,698	921	–211
Russia	WB	Russia	396	62	38	–8	606	98	34	–8
Poland	Other	Poland	2,980	124	1	1	2,060	75	1	0
Estonia	RB, WB, LP	Estonia	253	10	1	0	502	82	41	–7
Latvia	RB, WB	Latvia	–	–	–	–	364	57	29	–6
Luxembourg	AM, LP	Luxembourg	434	326	180	–54	451	386	226	–65
Lithuania	RB, WB, LP	Lithuania	–	–	–	–	305	42	24	–3
United States	RB, WB, AM, LP	New York	116	87	–65	–21	123	111	71	–21
United Kingdom	RB, WB, AM, LP	London	58	81	57	–3	68	110	–3	0
Singapore	WB	Singapore	75	33	–1	–1	81	40	31	–4
Germany	WB, AM	Frankfurt	44	18	8	1	43	25	14	–4
Switzerland	AM	Zürich	10	2	0	0	22	7	–6	0
China	WB	Shanghai	29	7	1	–1	31	7	–1	0
Italy	AM	Rome	9	5	0	0	9	5	0	0
Spain	AM	Madrid	5	2	0	0	7	2	0	0
Brazil	WB	Sao Paolo	2	1	0	0	5	2	0	0
France	AM	Paris	3	1	0	0	3	2	0	0
Chile	AM	Santiago	0	0	0	0	–	–	–	–
Eliminations[3]			–	–813	–	–	–	–842	–	–
Total			**29,395**	**9,005**	**3,953**	**–872**	**31,437**	**9,469**	**3,998**	**–950**

1) RB=Retail banking, WB=Wholesale banking, AM=Asset management, LP= Life and pension.
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 G2 "Segment reporting" is split on countries based on the location of the customers´ operations.
3) Eliminations of transactions consist mainly of intra-group IT-services.

Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the last table "Specification of group undertakings 31 December 2018" in the section "Capital adequacy for the Nordea Group" and in the last table in Note G19 "Investments in associated undertakings and joint ventures".

Denmark
Nordea Danmark Filial af Nordea Bank Abp, Finland
Nordea Investment Management AB, Denmark Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finland Branch

Sweden
Nordea Bank Abp filial i Sverige
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds Ltd, Norwegian Branch
Nordea Bank Abp, filial i Norge

Italy
Nordea Investment Funds S.A., Italian Branch

France
Nordea Investments Funds S.A., French Branch

Estonia
Nordea Bank AB Estonia Branch

Chile
NAM Chile SpA

Germany
Nordea Bank Abp Niederlassung Frankfurt
Nordea Funds Services GmbH (Germany)

China
Nordea Bank Abp Shanghai Branch

Poland
Nordea Bank Abp Spolka Akcyjna Oddzial w Polsce

Singapore
Nordea Bank Abp Singapore Branch

Switzerland
Nordea Bank S.A., Luxemburg Zwiegniederlassung Zürich
Nordea Asset Management Schweiz GmbH

Spain
Nordea Investment Funds S.A. Sucursal en España

United Kingdom
Nordea Bank AB London Branch
Nordea Investment Funds S.A. UK Branch

United States
Nordea Bank Abp New York Branch

G49. IFRS 16

The change in accounting for leases when IFRS 16 becomes mandatory on 1 January 2019 is described in Note 1, section 3. At transition, the standard will be implemented based on a single discount rate applied on a portfolio of leases with similar characteristics. The future cash flows are discounted using the incremental borrowing rate, and the weighted average incremental borrowing rate applied to the lease liabilities at transition is approximately 1%. The assessment of onerous leases according to IAS 37 is applied as an alternative to performing an impairment review of the right-of-use assets. Initial direct costs are excluded from the right-of use-asset and the right to use hindsight when determining the lease term will be used.

Reconciliation of lease commitments in Annual Report 2018 to lease liabilities at 1 January 2019

EURm	
Future minimum lease payments under non-cancellable leases disclosed in Note G21	1,217
Increase in lease term	157
Discounting effect using the average incremental borrowing rate	−93
Deduction for leases reclassified to short term	−5
Other changes	−111
Lease liability 1 January 2019	**1,165**

Impact on the balance sheet at transition

EURm	31 Dec 2018	Change	1 Jan 2019
Assets			
Properties and equipment	546	1,521	2,067
- of which Owned assets	546	–	546
- of which Right of use assets	–	1,523	1,523
- of which Accumulated impairment on ROU assets	–	−2	−2
Prepaid expenses	1,313	−358	955
Other	549,549	–	549,549
Total assets	**551,408**	**1,163**	**552,571**
Liabilities			
Other liabilities	23,315	1,165	24,480
- of which Lease liabilities	–	1,165	1,165
Provisions	321	−2	319
Other	494,871	–	494,871
Total liabilities	**518,507**	**1,163**	**519,670**

Accounting principles under IFRS 16

Nordea as lessor

Finance leases

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

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as 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 based on Nordea's depreciation policy for similar assets and reported as "Depreciation, amortization and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee

At inception Nordea assesses whether a contract is or contains a lease. A lease is a contract that conveys the user the right to control the use of an asset for a period of time in exchange for consideration.

The right to use an asset in a lease contract is recognised on the commencement date as a right-of-use (ROU) asset and the obligation to pay lease payments is recognised as a lease liability. The ROU asset is initially measured as the present value of the lease payments, plus initial direct costs and the cost of obligations to refurbish the asset less any lease incentives received. Non-lease components are separated in real estate, car and IT contracts. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate at commencement of the contract. In significant premises contracts the rate implicit in the contract may be used if available.

The ROU assets are presented as similar owned assets and the lease liabilities as" Other liabilities" on the balance sheet. The depreciation policy is consistent with that of similar owned assets, but the depreciation period is normally capped at the end of the lease term. Impairment testing of the right-of-use assets is performed following the same principles as for similar owned assets. Interest expense on lease liabilities is presented as "Interest expense" in the income statement.

The assets are classified as Premises, IT hardware, Vehicles and Other Assets like office equipment. Nordea applies the practical expedient of short term contracts (with a contract term of 12 months or less), primarily for premises, IT-hardware, and for other assets. The practical expedient of low value assets is applied on IT-hardware and other assets. Short term and low value contracts are not recognised on the balance sheet and the payments are recognised as expenses in the income statement as "Other expenses" on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit.

Leases are mainly related to office premises contracts but also to company cars, IT hardware and other assets normal to the business. The premises are divided into banking branches and head-offices. The lease payments generally include fixed payments and especially in premises contracts also variable payments that depend on an index. Residual value guarantees, or purchase options are generally not used.

The lease term is the expected lease term. This comprises the non-cancellable period of lease contracts and any options that Nordea is reasonably certain to exercise. The length of contracts with no end date is estimated by considering all facts and circumstances.

The expected lease term of most of the premises contracts is 1–10 years whereas the expected lease term of the main head office contracts in the Nordic countries is 15–25 years. The central district head office properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of these lease agreements was initially 3–25 years with renewal options.

Financial statements, Parent company

Contents

Income statement

EURm	Note	Oct–Dec 2018[1]
Operating income		
Interest income		1,116
Interest expense		–474
Net interest income	P3	**642**
Fee and commission income		584
Fee and commission expense		–157
Net fee and commission income	P4	**427**
Net result from securities trading and foreign exchange dealing	P5	199
Net result from securities at fair value through other comprehensive income	P5	8
Net result from hedge accounting	P5	–55
Net result from investment properties	P25	0
Dividends	P6	1,167
Other operating income	P7	94
Total operating income		**2,482**
Operating expenses		
Staff costs	P8	–616
Other administrative expenses	P9	–274
Other operating expenses	P10	–100
Depreciation, amortisation and impairment charges of tangible and intangible assets	P11	–115
Total operating expenses		**–1,105**
Profit before loan losses		**1,377**
Net loan losses	P12	–12
Impairment on other financial assets	P12	–21
Operating profit		**1,344**
Income tax expense	P13	–211
Net profit for the year		**1,133**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Balance sheet

EURm	Note	31 Dec 2018
Assets		
Cash and balances with central banks		39,562
Debt securities eligible for refinancing with central banks	P14, P17, P18	72,677
Loans to credit institutions	P15	64,772
Loans to the public	P16	154,419
Interest-bearing securities	P17, P18	1,890
Shares and participations	P19	4,813
Investments in associated undertakings and joint ventures	P20	1,049
Investments in group undertakings	P21	12,175
Derivatives	P22	37,221
Fair value changes of the hedged items in portfolio hedge of interest rate risk		72
Intangible assets	P23	2,331
Tangible assets		
- Properties and equipment	P24	338
- Investment properties	P25	4
Deferred tax assets	P13	130
Current tax assets		234
Retirement benefit assets	P35	243
Other assets	P27	15,681
Prepaid expenses and accrued income	P28	1,111
Total assets		**408,722**
Liabilities		
Deposits by credit institutions and central banks	P29	51,427
Deposits and borrowings from the public	P30	171,102
Debt securities in issue	P31	82,667
Derivatives	P22	40,591
Fair value changes of the hedged items in portfolio hedge of interest rate risk		536
Current tax liabilities	P13	249
Other liabilities	P32	21,257
Accrued expenses and prepaid income	P33	1,330
Deferred tax liabilities	P13	223
Provisions	P34	352
Retirement benefit obligations	P35	349
Subordinated liabilities	P36	9,157
Total liabilities		**379,240**
Equity		
Share capital		4,050
Additional Tier 1 capital holders		750
Invested unrestricted equity		1,080
Other reserves		-150
Retained earnings		22,619
Profit or loss for the period		1,133
Total equity	**P37**	**29,482**
Total liabilities and equity		**408,722**
Off balance sheet commitments		
Commitments given to a third party on behalf of customer	P40	
- Guarantees and pledges		50,026
- Other		1,406
Irrevocable commitments in favour of customer	P41	
- Securities repurchase commitments		–
- Other		80,102

Combined income statement

EURm	Combined 2018[1]	Predecessor 2017
Operating income		
Interest income	4,203	4,155
Interest expense	-1,730	-1,618
Net interest income	**2,473**	**2,537**
Fee and commission income	2,244	2,409
Fee and commission expense	-457	-408
Net fee and commission income	**1,787**	**2,001**
Net result from securities trading and foreign exchange dealing	868	974
Net result from securities classified at fair value through other comprehensive income	25	0
Net result from hedge accounting	-61	133
Net result from investment properties	-1	-3
Dividends	1,735	3,346
Other operating income	377	470
Total operating income	**7,203**	**9,458**
Operating expenses		
Staff costs	-2,478	-2,636
Other administrative expenses	-980	-1,197
Other operating expenses	-539	-581
Depreciation, amortisation and impairment charges of tangible and intangible assets	-355	-277
Total operating expenses	**-4,352**	**-4,691**
Profit before loan losses	**2,851**	**4,767**
Net loan losses	-122	-299
Impairment on other financial assets	-239	-380
Operating profit	**2,490**	**4,088**
Income tax expense	-514	-555
Net profit for the period	**1,976**	**3,533**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Nordea Bank Abp reports under Finnish GAAP. The columns labelled "Predecessor" include restated income statements of the former parent company Nordea Bank AB (publ). The columns labelled "Combined" include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ) income statements have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in equity, as well as to that the presentation of the income statement complies with Finnish requirements.

Combined balance sheet

EURm	Reported 31 Dec 2018 [1]	Predecessor 31 Dec 2017
Assets		
Cash and balances with central banks	39,562	42,637
Debt securities eligible for refinancing with central banks	72,677	68,781
Loans to credit institutions	64,772	59,765
Loans to the public	154,419	152,766
Interest-bearing securities	1,890	5,093
Shares and participations	4,813	7,906
Investments in associated undertakings and joint ventures	1,049	1,036
Investments in group undertakings	12,175	12,532
Derivatives	37,221	47,688
Fair value changes of the hedged items in portfolio hedge of interest rate risk	72	85
Intangible assets	2,331	2,114
Tangible assets		
- Properties and equipment	338	384
- Investment properties	4	2
Deferred tax assets	130	84
Current tax assets	234	58
Retirement benefit assets	243	258
Other assets	15,681	15,287
Prepaid expenses and accrued income	1,111	1,128
Total assets	**408,722**	**417,604**
Liabilities		
Deposits by credit institutions and central banks	51,427	51,735
Deposits and borrowing from the public	171,102	176,231
Debt securities in issue	82,667	72,460
Derivatives	40,591	46,118
Fair value changes of the hedge items in pf hedge of interest rate risk	536	552
Current tax liabilities	249	158
Other liabilities	21,257	28,720
Accrued expenses and prepaid income	1,330	1,196
Deferred tax liabilities	223	189
Provisions	352	412
Retirement benefit obligations	349	254
Subordinated liabilities	9,157	8,987
Total liabilities	**379,240**	**387,012**
Equity		
Share capital	4,050	4,050
Additional Tier 1 capital holders	750	750
Invested unrestricted equity	1,080	1,080
Other reserves	–150	1,235
Retained earnings	21,776	19,944
Profit or loss for the period	1,976	3,533
Total equity [2]	**29,482**	**30,592**
Total liabilities and equity	**408,722**	**417,604**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.
2) Including anticipated dividends of EUR 436m from its subsidiaries.

Nordea Bank Abp reports under Finnish GAAP. The columns labelled “Predecessor” include restated income statements of the former parent company Nordea Bank AB (publ). The columns labelled “Combined” include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ) income statements have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in equity, as well as to that the presentation of the income statement complies with Finnish requirements.

Cash flow statement

Operating activities	
Operating profit	1,344
Adjustment for items not included in cash flow	804
Income taxes paid	–252
Cash flow from operating activities before changes in operating assets and liabilities	**1,896**
Changes in operating assets	
Change in debt securities eligible for refinancing with central banks	3,250
Change in loans to central banks	–3,455
Change in loans to credit institutions	2,763
Change in loans to the public	7,884
Change in interest-bearing securities	–4,371
Change in financial assets pledged as collateral	2,283
Change in shares and perticipations	1,730
Change in derivatives, net	84
Change in investment properties	–1
Change in other assets	–566
Changes in operating liabilities	
Change in deposits by credit institutions	–8,742
Change in deposits and borrowings from the public	–9,434
Change in debt securities in issue	4,909
Change in other liabilities	–1,808
Cash flow from operating activities	**–3,578**
Investing activities	
Sale of business operation	48
Investment in associated undertakings and joint ventures	–8
Sale of associated undertakings and joint ventures	1
Acquisition of property and equipment	–3
Sale of property and equipment	2
Acquisition of intangible assets	–149
Cash flow from investing activities	**–109**
Financing activities	
Issued subordinated liabilities	–26
Cash flow from financing activities	**–26**
Cash flow for the year	**–3,713**
Cash and cash equivalents at 21 Sep 2017	–
Cash and cash equivalents through merger	–47,436
Translation difference	–27
Cash and cash equivalents at the end of year	43,750
Change	**–3,713**

Cash flow statement, 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 Abp'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 cash flow includes:

EURm	2018
Depreciation and impairment charges	135
Loan losses	21
Unrealised gains/losses	–28
Capital gains/losses (net)	–13
Change in accruals and provisions	110
Translation differences	94
Other	485
Total	**804**

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

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

EURm	2018
Interest payments received	1,149
Interest expenses paid	–478

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2018
Cash and balances with central banks	39,562
Loans to central banks, payable on demand	2,429
Loans to credit institutions, payable on demand	1,759
Total	**43,750**

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.

Ratios and key figures

	2018
Return on equity, %	15.6
Return on assets, %	1.1
Cost/income ratio, %	45
Loan loss ratio, basis points	3
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2,3] %	16.0
Tier 1 capital ratio, excl. Basel I floor %[1,3]	17.9
Total capital ratio, excl. Basel I floor %[1,3]	20.6
Common Equity Tier 1 capital[1,2,3] EURm	24,059
Tier 1 capital[1,2,3] EURm	26,908
Risk exposure amount excl. Basel I floor[1,3] EURbn	150,226

1) End of the year.
2) Including result of the year.
3) Ratios are reported using the Basel III (CRR/CRDIV) framework.

Glossary

Allowances in relation to credit impaired loans (stage 3)
Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowances in relation to loans in stage 1 and 2
Allowances for non-impaired loans (stage 1 and 2) divided by non-impaired loans measured at amortised cost (stage 1 and 2) before allowances.

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

Loan loss ratio
Net loan losses for three months (annualised) divided by closing balance of loans to the public (lending) measured at amortised cost.

Return on equity
Annualised Net profit as a percentage of average equity. Average equity has been calculated as the average equity for the period 1 October 2018 - 31 December 2018. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity including net profit and dividend until paid, and excludes noncontrolling interests and Additional Tier 1 capital.

Return on assets
Annualised Net profit as a percentage of total assets at end of the year.

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

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

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

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

P1. Accounting policies

Content for Note P1

1. Basis for presentation

The financial statements for the parent company, Nordea Bank Abp, are prepared in accordance with the the Finnish Accounting Act, the Finnish Credit Institutions Act, the Decision of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions as well as Finnish Financial Supervision Authority's Regulations.

On 21 February 2019 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 28 March 2019.

2. Nordea Bank Abp and its financial statements

Nordea Bank Abp was established 21 September 2017 and had no business activities before the merger date 1 October 2018. Nordea Bank Abp is the parent company of the Nordea Group.

The income statement figures presented in the financial statements and in the notes to the financial statements refer to the period October-December 2018. No comparison figures are disclosed as Nordea Bank Abp started its banking operations 1 October 2018. The official first accounting period of Nordea Bank Abp is 21 September 2017 - 31 December 2018.

Nordea Bank Abp reports under Finnish GAAP. In the Combined income statement presented in connection of the Financial statements the columns labelled "Predecessor" include restated income statements of the former parent company Nordea Bank Ab (publ). The columns labelled "Combined" include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB's (publ) income statement have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IAS19 allowed under Finnish GAAP, that changes to own credit risk on financial liabilities designated at fair value is recognised in Equity, as well as to that presentation of the income statement complies with Finnish requirements.

In the respective balance sheet the column "Predecessor" includes a restated balance sheet of the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB's (publ) balance sheet has been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IAS19 allowed under Finnish GAAP, that changes to own credit risk on financial liabilities designated at fair value is recognised in equity, as well as to that presentation of the balance sheet complies with Finnish requirements.

3. Accounting policies and presentation

The new accounting requirements implemented by Nordea and their impact on the financial statements are described below.

IFRS 9 "Financial instruments"

The new standard IFRS 9 "Financial instruments" covers classification and measurement, impairment and general hedge accounting and replaces the earlier requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea as from 1 January 2018. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 8).

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group. For contacts signed after 1 January 2018 only restructured contracts are allowed to have SPPI non-compliant features and for restructured contracts the SPPI analysis is performed for each contact separately.

P1. Accounting policies, cont.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than in IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Under IAS 39 Nordea did not calculate collective provisions for off-balance sheet exposures.

The assets to test for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 have individually calculated provisions, while for insignificant assets the assessment is based on a statistical model. In stage 1, the provisions equal the 12 months expected loss. In stage 2 and 3, the provisions equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. For assets held at transition, Nordea has decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets recognised after transition, changes to the lifetime Probability of Default (PD) are used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2.

Nordea's model for calculating collective provisions under IAS 39 defined a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 requires several notches deterioration.

The provisions under IFRS 9 are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea earlier, under IAS 39, held 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 requires provisions equal to the lifetime expected loss.

When calculating expected losses under IFRS 9, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea has decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as a provision.

Impairment calculations under IFRS 9 requires more experienced credit judgement by the reporting entities than was required by IAS 39 and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward-looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 8). If Nordea instead had elected to apply the new hedge accounting requirement in IFRS 9 that would not have resulted in any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures. The reason is that Nordea generally uses macro (portfolio) hedge accounting.

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 frombthose involving estimations) that have the most significant impact 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 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 Bank Abp's accounting policy for determining the fair value of financial instruments is described in section 9 "Determination of fair value of financial instruments" and Note P44 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are 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

P1. Accounting policies, cont.

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 are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. 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 119,786 EUR m in Nordea Bank Abp and EUR 70,099m respectively at the end of the year 2018

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note P44 "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 Bank Abp'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. Nordea Bank Abp's total lending before impairment allowances was EUR 221,021m at the end of the year. For more information, see Note P16 "Loans and impairment".

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical model used to calculate provisions are based on macro-economic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses.

Effectiveness testing of cash flow hedges

Nordea Bank Abp's accounting policies for cash flow hedges are described in section 8 "Hedge accounting".

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

Where Nordea Bank Abp 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

The pension obligation in the parent company is calculated in accordance with IAS 19 "Employee benefits". For more information, see section 20 "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 Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note P35 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation of Nordea Bank Abp was EUR 349m at the end of the year.

Classification of additional tier 1 instruments

Nordea Bank Abp has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea Bank Abp and non-accumulating. Some of these instruments also include a requirement for Nordea Bank Abp 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 Nordea Bank Abp and the holders of the instrument. Nordea Bank Abp classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea Bank Abp to pay interest or principal to the holders of the instrument.

P1. Accounting policies, cont.

Valuation of deferred tax assets

Nordea Bank Abp's accounting policy for the recognition of deferred tax assets is described in section 19 "Taxes" and Note P13 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea Bank Abp's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 130m at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea Bank Abp 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 Bank Abp or its financial position. See also Note P34 "Provisions" and Note P40 "Contingent liabilities".

5. 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 estimated future cash flows to the net 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 is classified as "Net result from securities trading and foreign exchange dealing" 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 securities trading and foreign exchange dealing", apart for derivatives used for hedging, including economical hedges of Nordea's funding, where such components are classified as "Net interest income".

Net fee and commission income

Nordea Bank Abp earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received.

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount, and the right to the fee, corresponds to the value received by the customer. Variable fees that are based on relative performance compared with a benchmark are in asset management rare and they are normally fixed and recognised at least each reporting date. Variable fees that are not fixed at the reporting date cannot generally be recognised as the outcome is uncertain and subject to market development.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance contracts and investment contracts with policyholders. Investments contracts are contracts that do not include enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for the contract administration. The fee income is recognised over time when the services are performed. These contracts do generally not include any up-front fees.

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Card fees are categorised as interchange fees that are recognised at a point of time, when the customer uses the services, and cardholder fees that are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The amount of loan syndication fees, as well as other transaction-based fees, received are recognised at a point when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively. Other fee income is generally transaction based.

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

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from securities trading and foreign exchange dealing

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 securities trading and foreign exchange dealing" 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

Net results from securities trading

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

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 securities trading" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss. Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment

P1. Accounting policies, cont.

on other financial assets" (see also the sub-sections "Net loan losses" and "Impairment on other financial assets" below).

Dividend received from trading shares are recognised in the income statement as "Net result from securities trading" 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 the payment is established.

Net result from foreign exchange dealing

Net gains and losses on trading in foreign currencies and the positive and negative exchange differences arising from translation into euro of assets, liabilities and the principal of currency swaps are recognised in "Net result from foreign exchange dealing". The period's proportion of gains and losses on measurement of forward foreign exchange contracts, currency futures and currency options are also included in this item. Foreign exchange differences arising from non-monetary held-for-sale assets are recognised in the fair value reserve under equity.

Net result from securities at fair value through other comprehensive income

The ineffective portion of cash flow hedges as well as recycled gains and losses on financial instruments classified into the category Financial assets at fair value through other comprehensive income are recognised in "Net result from securities at fair value through other comprehensive income". Losses as well as impairment on instruments classified into the category Financial assets at fair value through other comprehensive income are also included in this item.

Net result from hedge accounting

Income from hedge accounting is described in the separate section 8 Hedge accounting.

Net result from investment properties

Income and expenses from investment properties, such as rental income and expenses and sales gains and losses, regardless of whether the property is measured using the fair value method or the acquisition cost less depreciation and impairment loss are recognised in "Net result from investment properties". This item also includes items recognisable in profit or loss due to measurement method (depreciation according to plan and impairments, reversals of impairment or fair value changes).

Dividends

Dividends received from other than trading shares, are recognised in the income statement as "Dividends" Income is recognised in the period in which the right to receive payment is established.

Other operating income

Net gains from divestments of shares in group undertakings, associated undertakings and joint ventures 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 Bank Abp 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 Amortised cost (see section 12 "Financial instruments"), in the items, "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities" on the balance sheet, are reported as "Impairment losses on financial assets at amortised cost" together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea'Bank Abp'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 are reported under Net result from securities trading.

Impairment losses on other financial assets

Impairment on investments in interest-bearing securities, classified into the category Financial assets at fair value through other comprehensive income, an on investments in group companies, associated undertakings and joint ventures are classified as "Impairment losses on other financial assets" in the income statement. The policies covering impairment of financial assets classified into the category Amortised cost 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 or the joint ventures is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associated undertaking or the joint venture 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.

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "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 Bank Abp, i.e. on settlement date.

Loans where cash flows are modified or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present

P1. Accounting policies, cont.

value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

In some cases, Nordea Bank Abp 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.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea Bank Abp performs, for example when Nordea Bank Abp repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognized as "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 P46 "Transferred assets and obtained collaterals".

7. Translation of assets and liabilities denominated in foreign currencies

The functional currency of Nordea Bank Abp 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 denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from foreign exchange dealing".

8. Hedge accounting

As a part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note P22.

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:

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

Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

The EU carve out version 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.

At inception, Nordea formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

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.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note P22. 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 income from hedge accounting". Given the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

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 Bank Abp is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net income from hedge accounting".

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 Bank Abp consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in Nordea Bank Abp 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.

Hedge effectiveness

When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and com-

P1. Accounting policies, cont.

pares 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.

If the hedging relationship does not fulfil the hedge accounting requirements, the 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.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items
- Disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting

In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note P22 cash flow hedge accounting is applied when hedging the exposure to variability 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 hedge accounting" 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 Bank Abp uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency and when hedging interest rate risk in lending with floating interest rates.

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. When hedging the interest rate risk in lending with floating interest rates Nordea uses interest rate swaps as hedging instruments, which are always held at fair value.

Hedge effectiveness

The hypothetical derivative method is used when measuring the effectiveness retrospectively 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 hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. 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.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

Hedges of net investments

In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note P22, Nordea hedges its translation risk. Translation risk is defined as the risk of loss from equity capital investment in foreign operations that are denominated in a foreign currency other than the Group reporting currency (EUR). The hedging instruments used by Nordea are FX swaps.

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Hedge ineffectiveness can arise to the extent the hedging instruments exceed in nominal terms the risk exposure from the foreign operations. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

See also section 7 "Translation of assets and liabilities denominated in foreign currencies".

P1. Accounting policies, cont.

9. 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 securities trading and foreign exchange dealing".

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.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea Bank Abp 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 Bank Abp 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 Bank Abp 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 P44 "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 Bank Abp are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

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

For further information, see Note P44"Assets and liabilities at fair value".

10. 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 or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time

11. Debt securities eligible for refinancing with central banks

Debt securities eligible as collateral in central bank monetary operations are recognised as "Debt securities eligible for refinancing with central banks". Debt securities are included in this item based on properties of their own and not based on whether the entity is itself is eligible for refinancing with central banks.

Debt securities eligible for refinancing with central banks can be classified as financial assets as amortised cost, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

12. Financial instruments

Classification of financial instruments

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

Financial assets:

- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial asset at fair value through other comprehensive income

P1. Accounting policies, cont.

Financial liabilities:
- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial assets is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

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.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, 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. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see section 5, "Net interest income". For information about impairment under IFRS 9, see section 13 below.

Interest on assets and liabilities classified at amortised cost is recognised in the item "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reversed repurchase/repurchase agreement and securities borrowing/lending agreements in Markets. This category also includes subordinated liabilities and debt securities in issue, except for issued structured bonds in Markets.

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 securities trading and foreign exchange dealing".

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

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policy holders. The deposits are invested in different types of financial asset on behalf of the customer and policyholders. Assets in pooled schemes and unit-linked investments are presented in the respective line item in the balance sheet.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value on these issues structured bonds is recognised in profit and loss except for the changes in credit risk that is recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets are classified as "Net result from securities trading and foreign exchange dealing".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. 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", foreign exchange effects in "Net result from securities trading and foreign exchange dealing" and impairment losses in the item "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from securities classified at fair value through other comprehensive income". For information about impairment under IFRS 9, see section 13 below.

P1. Accounting policies, cont.

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

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing".

For index-linked bonds issued by Markets Nordea applies the fair value option 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 securities trading and foreign exchange dealing" and presented as "Debt securities in issue" on the balance sheet.

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. 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.

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities" in note P38.

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 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 securities trading and foreign exchange dealing".

Offsetting of financial assets and liabilities
Nordea Bank Abp 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.

Exchanged 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, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are offset on the balance sheet if the transaction currency and the central counterparty is the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not offset on the balance sheet.

In addition, loans and deposits related to repurchase and reversed repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposit related to repurchase and reversed repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and the liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

Issued debt and equity instruments
A financial instrument issued by Nordea Bank Abp 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 Bank Abp 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
Scope
Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as 'Cash and balances with central banks", "Debt securities eligible for refinancing with central banks", "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 12 above and Note P43 on "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

P1. Accounting policies, cont.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Impairment losses on financial assets at amortised cost".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount 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 Bank Abp forgives its claims either through a legal based or voluntary reconstruction, or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Impairment losses on financial assets at amortised cost".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Impairment on other financial assets". Any fair value adjustments are recognised in equity.

Impairment testing

Nordea Bank Abp classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Nordea Bank Abp monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea Bank Abp applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section in the Board of Directors' Report. Exposures without individually calculated allowances will be covered by the model based impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the collective model described below but based on the fact that the exposures are already in default.

Model based allowance calculation

For exposures not impaired on an individual basis, a collective model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea Bank Abp uses two different models to identify whether there has been a significant increase in credit risk or not. The change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion. Assets where the relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points. For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2.

Nordea Bank Abp does not use the "low credit risk exemption" in the banking operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions.

Write-offs

A write-off is a de-recognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written-off from the balance sheet, the customer

P1. Accounting policies, cont.

remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (list not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written-off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

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 and modifications

In this context a restructured loan is defined as a loan where Nordea Bank Abp has granted concessions to the obligor due to its financial difficulties and where this concession has resulted in an impairment loss for Nordea Bank Abp. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial distress (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced. 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 "Impairment losses on financial assets at amortised cost". 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 Fair value through profit or loss and measured at fair value. Changes in fair values are recognized in the income statement under the line "Net result from securities trading and foreign exchange dealing".

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

Nordea as lessor

Finance leases

Nordea Bank Abp does not have finance leasing operations.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

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

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased 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 amortised using the effective interest method 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.

P1. Accounting policies, cont.

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 Bank Abp 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.

Customer related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk-free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note P23 "Intangible assets" for more information on the impairment testing.

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 follow the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

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

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

17. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. Nordea Bank Abp applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from securities trading and foreign exchange dealing".

18. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders and are recognised in the respective balance sheet item.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised

P1. Accounting policies, cont.

and measured at fair value as described in section 12 "Financial instrument" above.

19. 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 directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea Bank Abp intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

20. Employee benefits

All forms of consideration given by Nordea Bank Abp 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 Bank Abp. Nordea has also issued share-based payment programmes, which are further described in section 23 "Share-based payment".

More information can be found in Note P8 "Staff costs".

Post-employment benefits

Pension plans

Nordea Bank Abp has 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. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. 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 in Denmark, but also plans in other countries, 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 P35 "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. Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

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. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long

P1. Accounting policies, cont.

dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

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 Bank Abp 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 Bank Abp 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 P8 "Staff costs".

21. Equity

Additional Tier 1 capital holders

Nordea Bank Abp has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea Bank Abp and non-accumulating. Some of these instruments also include a requirement for Nordea Bank Abp 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 Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Other reserves

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

Retained earnings

Retained earnings include the undistributed profit from the previous years.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also, own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

22. 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 "Impairment losses on financial assets at amortised cost".

Premiums received for financial guarantees are, as stated in section 5 "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 "Commitments".

23. 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 P8 "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 sal-

P1. Accounting policies, cont.

aries 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 securities trading and foreign exchange dealing".

For more information see Note P8 "Staff costs".

24. Related party transactions

Nordea Bank Abp defines related parties as:

- Shareholders with significant influence
- Group undertakings
- Associated undertakings and joint ventures
- 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 P8 "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 Nordea Bank Abp but do not control those policies.

Group undertakings

Group undertakings are defined as the subsidiaries of the parent company Nordea Bank Abp. Further information on the undertakings included in the Nordea Group is found in Note P21 "Investments in group undertakings".

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

Associated undertakings and joint ventures

Associated undertakings and joint ventures are defined as the associated companies and joint ventures of the parent company Nordea Bank Abp.

Further information on the associated undertakings and the joint ventures is found in Note P20 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel include the following positions:

- The Board of Directors of Nordea Bank Abp
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note P8 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Bank Abp as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea Bank Abp and other related parties is found in Note P48 "Related-party transactions".

25. Exchange rates

	Jan–Dec 2018
EUR 1 = SEK	
Income statement (average)	10.2608
Balance sheet (at end of year)	10.2330
EUR 1 = DKK	
Income statement (average)	7.4533
Balance sheet (at end of year)	7.4672
EUR 1 = NOK	
Income statement (average)	9.6033
Balance sheet (at end of year)	9.9470

P2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM). In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking, with further breakdown on operating segments, and for the operating segment Group Finance & Treasury. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets. Commercial Banking service large corporate customers and Business Banking service small and medium-sized corporate customers. Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management. 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. Group Finance & Treasury's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance & Treasury originates from Group Treasury & ALM.

P2. Segment reporting, cont.

Income statement

Oct–Dec 2018, EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Group Finance & Treasury	Total operating segments	Reconciliation	Total Parent company
Net interest income	223	183	204	–34	576	66	642
Net fee and commission income	301	124	106	–7	524	–97	427
Net result from items at fair value	40	72	28	28	168	–16	152
Profit from associated undertakings and joint ventures accounted for under the equity method	0	0	0	0	0	0	0
Other income	62	21	12	1,170	1,265	–4	1,261
Total operating income	**626**	**400**	**350**	**1,157**	**2,533**	**–51**	**2,482**
Staff costs	–181	–86	–116	–33	–416	–200	–616
Other expenses	–278	–174	–89	8	–533	159	–374
Depreciation, amortisation and impairment charges of tangible and intangible assets	–40	–2	–26	–17	–85	–30	–115
Total operating expenses	**–499**	**–262**	**–231**	**–42**	**–1,034**	**–71**	**–1,105**
Profit before loan losses	**127**	**138**	**119**	**1,115**	**1,499**	**–122**	**1,377**
Net loan losses	–21	–15	14	0	–22	–11	–33
Operating profit	**106**	**123**	**133**	**1,115**	**1,477**	**–133**	**1,344**
Income tax expense	–	–	–	–	–	–211	–211
Net profit for the year	**106**	**123**	**133**	**1,115**	**1,477**	**–344**	**1,133**
Balance sheet 31 Dec 2018, EURbn							
Loans to the public	111	58	64	4	236	–82	154
Deposits and borrowings from the public	74	39	40	2	156	15	171

Reconciliation between total operating segments and financial statements

	Total operating income, EURm	Operating profit, EURm	Loans to the public, EURbn	Deposits and borrowings from the public, EURbn
EURm	Oct–Dec 2018	Oct–Dec 2018	31 Dec 2018	31 Dec 2018
Total Operating segments	2,533	1,477	236	156
Eliminations	–51	–133	–82	15
Total	2,482	1,344	154	171

Total operating income split on product groups

Total operating income, EURm	Oct–Dec 2018
Banking products	2,341
Capital Markets products	141
Total	**2,482**

Geographical information

	Total operating income, EURm	Assets, EURbn
	Oct–Dec 2018	31 Dec 2018
Sweden	1,109	102
Finland	562	110
Norway	342	64
Denmark	388	114
Other	81	19
Total	**2,482**	**409**

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 marketplace, including currencies, commodities, stocks and bonds.

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets are distributed to geographical areas based on the location of the customers operations.

P3. Net interest income

Interest income

EURm	Oct–Dec 2018[1]
Interest income calculated using the effective interest rate method	1,066
Other interest income	50
Interest income	**1,116**

EURm	Oct–Dec 2018[1]
Debt securities eligible for refinancing with central banks	108
Loans to credit institutions	131
Loans to the public	836
Interest-bearing securities	2
Derivatives	–11
Other interest income	50
Interest income	**1,116**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Interest expense

EURm	Oct–Dec 2018[1]
Deposits by credit institutions	–69
Deposits and borrowings from the public	–81
Debt securities in issue	–353
Derivatives	128
Subordinated liabilities	–92
Other interest expenses[2]	–7
Interest expense	**–474**
Net interest income	**642**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.
2) The net interest income from derivatives, measured at fair value and are related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note P1 "Accounting principles".

Interest from categories of financial instruments

EURm	Oct–Dec 2018[1]
Financial assets at fair value through other comprehensive income	62
Financial assets at amortised cost	1,015
Financial assets at fair value through profit and loss (related to hedging instruments)	–11
Interest income calculated using the effective interest rate method	**1,066**
Financial assets at fair value through profit and loss	50
Other interest income	**50**
Interest income	**1,116**
Financial liabilities at amortised cost	–602
Financial liabilities at fair value through profit and loss	128
Interest expenses	**–474**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

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

P4. Net fee and commission income

EURm	Oct–Dec 2018[1]
Asset management commissions	105
- of which income	107
- of which expense	–2
Life & Pension	5
- of which income	5
- of which expense	–
Deposit Products	6
- of which income	6
- of which expense	–
Brokerage, securities issues and corporate finance	52
- of which income	101
- of which expense	–49
Custody and issuer services	17
- of which income	27
- of which expense	–10
Payments	75
- of which income	108
- of which expense	–33
Cards	41
- of which income	70
- of which expense	–29
Lending Products	85
- of which income	87
- of which expense	–2
Guarantees	46
- of which income	56
- of which expense	–10
Other	–5
- of which income	17
- of which expense	–22
Total	**427**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

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 93m.

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 amounts to EUR 214m. The corresponding amount for fee expenses is EUR –61m.

P5. Net result from items at fair value and net result from hedging instruments

Oct–Dec 2018[1], EURm	Total	of which unrealised	of which realised	of which OCI
Net result from items at fair value				
Equity related instruments[2]	57	321	–264	0
Interest related instruments and foreign exchange gains/losses	110	–211	321	8
Other financial instruments (including credit and commodities)	–15	–75	59	0
Total[1]	**152**	**35**	**116**	**8**
-Of which financial instruments held for trading	–190	–751	561	0
Net result from hedging instruments				
Financial instruments under fair value hedge accounting	0	145	–144	–1
- of which net result on hedging instruments	129	274	–145	–1
- of which net result on hedged items	–129	–129	0	-
Net result from categories of financial instruments				
Financial assets at fair value through other comprensive income	8		8	–
Financial liabilites designated at fair value throuh profit or loss	209	701	–492	–
Financial assets and liabilities mandatorily at fair value through profit or loss	–39	–305	265	–
Financial assets at amortised cost	–26	–43	17	–
Financial liabilities at amortised cost	–86	–86	0	–
Foreign exchange gains/losses excluding currency hedges	63	–255	318	–
Non-financial assets and liabilites	23	23	–	–
Total	**152**	**35**	**116**	–

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018
2) Of which EUR 10m is dividends from shares of which EUR 10m from shares held for trading. Dividends from shares measured at fair value through OCI is EUR 0m.

P6. Dividends

EURm	Oct–Dec 2018[1]
Dividends from group undertakings	**457**
Nordea Kredit Realkreditaktieselskab	213
Nordea Finance Finland Ltd	64
Nordea Finans Norge AS	21
Nordea Funds Ltd	159
Dividends from associated undertakings and joint ventures	**30**
Visa Sweden	30
Group Contributions	**666**
Nordea Hypotek AB	305
Nordea Investment Management AB	185
Nordea Finans Sverige AB	178
Currency translation differences from Group Contributions	–2
Gains from group undertakings	**14**
Total	**1,167**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

P7. Other operating income

EURm	Oct–Dec 2018[1]
Income from real estate	0
Other operational services	12
Other	82
Total	**94**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

P8. Staff costs

Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018. The staff cost note refers to the period October – December 2018.

EURm	Oct–Dec 2018
Salaries and remuneration (specification below)[1]	–508
Pension costs (specification below)	–58
Social security contributions	–95
Other staff costs[2]	45
Total	**–616**
Salaries and remuneration	
To executives[3]	
- Fixed compensation and benefits	–2
- Performance-related compensation	–2
- Allocation to profit sharing	0
Total	–4
To other employees	–504
Total	**–508**

1) Of which allocation to profit-sharing for Oct - Dec 2018 EUR 10m.
2) Comprising of capitalisation of IT-project with EUR 45m.
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company are included. Executives amount to 22 individuals.

Pension costs[1]

EURm	Oct–Dec 2018
Defined benefits plans (Note P35)[2]	–4
Defined contribution plans	–54
Total	**–58**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 0m and pension obligations to EUR 6m.
2) Excluding social security contributions. Including social security contributions EUR -6m.

Additional disclosures on remuneration under Nordic FSA regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting on 28 March 2019.

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2018 resolved the annual remuneration to the Board of Directors (The Board) amounting to for the Chairman EUR 294,600, to the Deputy Chairman EUR 141,300 and to other members EUR 91,950.

In addition, annual remuneration paid for board committee work on the Compliance Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 48,650 for the committee chairmen and EUR 29,600 for the other members. The remuneration for board committee work on the Board Remuneration Committee amounts to EUR 36,050 for the committee chairman and EUR 25,750 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

P8. Staff costs, cont.

Remuneration to the Board of Directors[1]

EUR	Oct–Dec 2018
Chairman of the Board:	
Björn Wahlroos	80,088
Vice Chairman of the Board:	
Lars G Nordström	42,725
Other Board members[2]:	
Nigel Hinshelwood	42,550
Torbjörn Magnusson	30,388
Robin Lawther	32,000
Sarah Russell	35,150
Silvija Seres	30,388
Birger Steen	35,150
Pernille Erenbjerg	30,388
Maria Varsellona	30,388
Total	**389,215**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in four equal instalments.
2) Employee representatives excluded.

There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea.

Salary and benefits

The BRC prepares alterations in salary levels and outcome of GEM Executive Incentive Programme (GEM EIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO) and members of Group Executive Management (GEM), for resolution by the Board.

GEM EIP 2018, which is based on specific targets, can be a maximum of 100% of the fixed base salary. In accordance with remuneration regulations 40% of GEM EIP 2018 will be paid out in 2019, 30% will be deferred to 2022 and 30% to 2024. When amounts are paid out 50% will be subject to retention for 12 months.

Benefits include primarily car benefits, tax consultation and housing.

Chief Executive Officer (CEO)

Casper von Koskull was appointed as CEO in Nordea Bank Abp from 1 October 2018. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The annual fixed base salary as CEO was decided to be EUR 1,354,462 as from 1 October 2018.

GEM EIP 2018 is based on specific targets and can amount to a maximum of 100% of the fixed base salary. For October - December 2018 the outcome of the GEM EIP amounted to EUR 191,382.

The benefits for October - December 2018 amounted to EUR 67,085 and include primarily car benefits and tax consultation, housing (as from 1 October 2018) and costs related to relocation to Finland.

The total earned remuneration for October - December 2018, as CEO, based on the three components (excluding pension) amounted to EUR 639,577.

The CEO took part of the LTIPs from 2010 to 2012.

P8. Staff costs, cont.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed as Group COO in and Deputy CEO Nordea Bank Abp on 1 October 2018. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO was decided to be DKK 8,560,000 (EUR 1,148,487).

GEM EIP 2018 is based on specific targets and can amount to a maximum of 100% of the fixed base salary. For October - December 2018 the outcome of the GEM EIP amounted to EUR 325,887.

The benefits for October - December 2018 amounted to EUR 14,566 and include primarily housing benefits.

The total earned remuneration for October - December 2018, as Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 654,335.

The Group COO and Deputy CEO took part in the LTIPs until 2012.

Pension

Chief Executive Officer (CEO)

The CEO is, as from 1 October 2018, covered by the Finnish statutory pension scheme and in addition has a defined contribution plan corresponding to 8.5% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed base salary.

Group Executive Management (GEM)

The pension agreements for the other GEM members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As per 31 December 2018 three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

Oct - Dec 2018, EUR	Fixed salary[1]	GEM Executive Incentive Programme[2]	Benefits[1]	Total
Chief Executive Officer (CEO):				
Casper von Koskull[3]	380,510	191,982	67,085	639,577
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[4]	313,882	325,887	14,566	654,335
Group Executive Management (GEM):				
9 individuals excluding CEO and Deputy CEO[5]	1,425,680	1,175,071	18,878	2,619,629
Total	**2,120,072**	**1,692,940**	**100,529**	**3,913,541**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).
2) The outcome from GEM EIP 2018 has been expensed in full in 2018 but will be paid out over a five-year deferral period with forfeiture clauses compliant to remuneration regulations. The GEM EIP 2018 is indexed with Nordea's total shareholder return (TSR) excluding dividends during the deferral period.
3) The annual fixed base salary as CEO is in 2018 EUR 1,354,462. Benefits includes costs related to relocation to Finland of EUR 53,112.
4) The annual fixed base salary as Group COO and Deputy CEO is in 2018 DKK 8,560,000 (EUR 1,148,487). Car and holiday allowance amount to DKK 669,695 (EUR 89,852).
5) Remuneration to GEM members is included for the period they have been appointed. One GEM member has resigned as GEM member by 30 November 2018, before leaving Nordea. One new GEM members was appointed on 1 December 2018.

Long Term Incentive Programmes (LTIP) 2011–2012

	Number of outstanding shares[1]		
	LTIP 2012	LTIP 2011	Total
Chief Executive Officer (CEO):			
Casper von Koskull	19,312	7,501	26,813
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):			
Torsten Hagen Jørgensen	17,912	6,712	24,624
Total	**37,224**	**14,213**	**51,437**
Former Chief Executive Officer (Former CEO):			
Christian Clausen	27,413	10,362	37,775
Total	**64,637**	**24,575**	**89,212**

1) The LTIPs related to previous position in Nordea and were fully expensed in May 2015. All shares in LTIPs are fully vested and consequently not conditional. 60% of the vested shares are deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. The number of outstanding shares are presented as of 31 December 2018. No other GEM members have outstanding LTIP shares by 31 December 2018.

P8. Staff costs, cont.

benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution is in total 30% of the fixed salary.

One member has pension in accordance with the local country statutory pension system in Finland. According to the statutory pension rules the part of GEM EIP 2017 outcome paid or retained in 2018 is included in the pensionable income.

Three members have a defined contribution plan in accordance with local practises in Denmark. The pension contribution is in total 30% of the fixed base salary.

Two members do not have a pension agreement with Nordea.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has a severance pay equal to 12 months' salary to be reduced by the salary he receives from another employment during these 12 months.

The Group COO and Deputy CEO and nine GEM members have a notice period of 6 months and Nordea a notice period of 12 months. A severance pay of up to 12 months' salary is provided to be reduced by the salary the executive receives from another employment during the severance pay period.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 79.

Additional disclosures for all Nordea employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting 28 March 2019.

Loans to key management personnel

Loans to key management personnel, as defined in Note P1 section 25, amount to EUR 2m. Interest income on these loans amounts to EUR 0m.

For key management personnel who are employed by Nordea the same credit terms apply as for other employees. In Norway the employee interest rate for loans is variable and was 1.8% as 31 December 2018. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 50 Swedish price base amounts both on fixed- and variable interest rate loans. For interest on loans above the defined caps, the same terms apply as for premium customers. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Nordea shares held by the Board of Directors, CEO and Group Executive Management

At the end of 2018, number of Nordea shares held by the Board of Directors amounted to 177,855 and the CEO and Group Executive Management amounted to 299,518, in total 477,373 (0.011% of total shares). Key management personnel has no holdings of equity warrants or convertible bonds issued by Nordea Bank Abp.

Guarantees and other off-balance-sheet commitments

Nordea Bank Abp has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any key management personnel or auditors.

Pension expense and pension obligation

2018, EUR	Oct - Dec 2018 Pension expense[1]	31 Dec 2018 Pension obligation[2]
Board members[4]:		
Lars G Nordström	–	312,465
Chief Executive Officer (CEO):		
Casper von Koskull	27,411	357,936
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):		
Torsten Hagen Jørgensen	86,137	–
Group Executive Management (GEM):		
9 individuals excluding CEO and Deputy CEO[3]	239,464	777,583
Total	**353,012**	**1,447,984**
Former Chairman of the Board and CEOs:		
Vesa Vainio[5]	–	4,844,682
Total	**353,012**	**6,292,666**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during October - December 2018 in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 345,179 relates to defined contribution agreements. Contributions to the Finnish statutory pension schemes are reported as part of the social charges and thus excluded from the above disclosure.

2) The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Members of GEM included for the period they are appointed. The pension obligation is the value of pension liabilities towards three Swedish GEM members as of 31 December 2018.

4) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

5) The pension obligation for Former Chairman of the Board and CEO is mainly due to defined benefit pension rights earned in, and funded by, banks forming Nordea.

P8. Staff costs, cont.

Long Term Incentive Programmes

Dec 2018	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012			
Outstanding at the beginning of the period	–	–	–
Through merger	49 608	148 824	49 608
Outstanding at end of year[1]	**49 608**	**148 824**	**49 608**
- of which currently exercisable	–	–	–
Rights LTIP 2011			
Outstanding at the beginning of the period	–	–	–
Through merger	31 563	52 736	14 203
Outstanding at end of year[1]	**31 563**	**52 736**	**14 203**
- of which currently exercisable	–	–	–

1) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

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 in 2013 introduced 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 direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2018 is paid no earlier than autumn 2022. 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 Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2018 is decided during spring 2019, and a reservation of EUR 8m excl. social costs is made during Oct - Dec 2018. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, 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

Oct - Dec 2018, EURm	Share linked deferrals
Opening balance 21 Sep 2017	–
Through merger	138
Deferred/earned during the period	–
TSR indexation during the period	–20
Payments during the period	–40
Translation differences	–1
Closing balance 31 Dec 2018	**77**

Average number of employees

Oct - Dec 2018	Total	Men	Women
Full-time equivalents			
Finland	5,712	2,141	3,571
Sweden	6,254	3,098	3,156
Denmark	7,478	4,253	3,225
Norway	2,493	1,348	1,145
Poland	3,363	1,875	1,488
Other countries	596	230	366
Total average	**25,896**	**12,945**	**12,951**

Number of employees

Dec 2018	
Permanent Full time	23,071
Permanent Part time	1,224
Fixed Term	1,656
Total number of employees (FTE´s), end of period	**25,951**

Gender distribution

In the parent company's Board of Directors 50% were men and 50% were women. The corresponding numbers for Other executives were 82% men and 18% women. The employee representatives has been excluded.

P9. Other administrative expenses

EURm	Oct–Dec 2018[1]
Other personnel expenses	–24
Travelling	–19
Information technology	–121
Marketing and representation	–21
Postage, transportation, telephone and office expenses	–16
Other[2]	–73
Total	**–274**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

2) Including fees to auditors distributed as follows.

Auditor''s fees

EURm	Oct–Dec 2018[1]
PricewaterhouseCoopers	
Auditing assignments	–3
Audit-related services	0
Tax advisory services[3]	0
Other assignments[3]	0
Total	**–3**

3) Of which Tax advisory services EUR 0m and Other assignments EUR 0m refers to PricewaterhouseCoopers Oy.

P10. Other operating expenses

EURm	Oct–Dec 2018[1]
Rents, premises and real estate	–79
Fees to authorities[2]	–10
Other	–11
Total	**–100**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

2) Including Deposit Guarantee Scheme fee, resolution fee, supervisory fees, contribution to the Single Resolution Board and fees to Federation of Finnish Financial Services.

P11. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	Oct–Dec 2018[1]
Properties and equipment (Note P24)	
Equipment	–22
Total	**–22**
Intangible assets (Note P23)	
Goodwill	–17
Computer software	–44
Other intangible assets	–7
Total	**–68**

Impairment charges /reversed impairment charges

EURm	Oct–Dec 2018[1]
Intangible assets (Note P23)	
Computer software	–23
Other intangible assets	–2
Total	**–25**
Total depreciation/amortisation and impairment charges	**–115**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

P12. Net loan losses

Oct–Dec 2018[1], EURm Based on IFRS 9	Loans to central banks and credit institutions	Loans to the public	Off balance sheet items	Total
Net loan losses, stage 1	–1	11	8	18
Net loan losses, stage 2	–2	25	–3	20
Net loan losses, non-defaulted	**–3**	**36**	**5**	**38**
Stage 3, defaulted				
Net loan losses, individually asssed, model based[2]	6	7	–3	10
Realised loan losses	–	–106	–10	–116
Decrease of provisions to cover realised loan losses	–	66	10	76
Recoveries on previous realised loan losses	0	8	–	8
New/increase in provisions	–	–126	–15	–141
Reversals of provisions	–	82	31	113
Net loan losses, defaulted	**6**	**–69**	**13**	**–50**
Net loan losses	**3**	**–33**	**18**	**–12**

Oct–Dec 2018[1], EURm Based on IFRS 9	Net loan losses, individually assessed	Net loan losses, collectively assessed[2]	Reversals of provisions	Recoveries on previous realised loan losses	Write-offs	Total in Income Statement
Loans to central banks and credit institutions	6	–3	–	0	–	3
Loans to the public	–53	36	82	8	–106	–33
Guarantees and other off balance sheet items	–9	5	32	0	–10	18
Other	–	–	–	–	–	–
Net loan losses from loans measured at amortised cost	**–56**	**38**	**114**	**8**	**–116**	**–12**
Impairment on other financial assets						
Net loan losses from loans classified as Fair value through other comprehensive income	–	0	–	–	–	0
Impairments on shares and interests in group entities and participating interests	–	–	–	–	–21	–21
Total Impairment on other financial assets	**–**	**0**	**–**	**–**	**–21**	**–21**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.
2) Includes individually identified assets where the provision has been caclulated based on statistical models.

P13. Taxes

Income tax expense

EURm	Oct-Dec 2018[1]
Current tax	–134
Deferred tax	–77
Total	**–211**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	Oct-Dec 2018[1]
Profit before tax	1,344
Tax calculated at a tax rate of 20.0%	–269
Effect of different tax rates in other countries	–27
Tax-exempt income	94
Non-deductible expenses	7
Tax relating to merged entity's prior periods	–11
Other	–5
Tax charge	**–211**
Average effective tax rate	16%

Deferred tax

EURm	Deferred tax assets 31 Dec 2018	Deferred tax liabilities 31 Dec 2018
Deferred tax related to:		
Tax loss carried forward	90	0
Loans to the public	20	0
Derivatives	–2	319
Properties and equipment	7	8
Intangible assests	0	40
Hedge of net investment in foreign subsidiaries	0	1
Retirement benefit assets/ obligations	32	25
Liabilities/provisions	63	0
Foreign tax credits	101	–
Other	1	12
Netting between deferred tax assets and liabilites	–182	–182
Total	**130**	**223**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018

P14. Debt securities eligible for refinancing with central banks

EURm	31 Dec 2018
Treasury bonds, notes and bills	16,719
Other	55,958
Total	**72,677**

P15. Loans to Credit Institutions

31 Dec 2018, EURm	Carrying amount	On-Demand	Non-Demand
Central Banks	7,272	2,429	4,843
Credit Institutions	57,500	1,759	55,741
Total	**64,772**	**4,188**	**60,584**

P16. Loans and impairment

EURm	31 Dec 2018
Loans measured at fair value through profit and loss	24,486
Loans measured at amortised cost, not impaired (stage 1 and 2)	192,646
Impaired loans (stage 3)	3,889
- of which servicing	1,977
- of which non-servicing	1,912
Loans before allowances	**221,021**
- of which central banks and credit institutions	64,772
Allowances for impaired loans (stage 3)	–1,469
- of which servicing	–657
- of which non-servicing	–812
Allowances for not-impaired loans (stage 1 and 2)	–361
Allowances	**–1,830**
- of which central banks and credit institutions	–15
Loans, carrying amount	**219,191**

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 21 Sep 2017	–	–	–	–	–	–	–	–	–	–	–	–
Through merger	66,484	71	–	66,555	129,036	9,043	4,164	142,243	195,520	9,114	4,164	208,798
Origination and acquisition	3,413	2	–	3,415	11,534	3	48	11,585	14,947	5	48	15,000
Transfers between stage 1 and stage 2, (net)	–6	8	–	2	–1,087	1,137	–	50	–1,093	1,145	–	52
Transfers between stage 2 and stage 3, (net)	–	–	–	–	–	–86	169	83	–	–86	169	83
Transfers between stage 1 and stage 3, (net)	8	0	–	8	113	–	4	117	121	–	4	125
Repayments and disposals	–8,817	–50	–	–8,867	–15,991	–1,171	–373	–17,535	–24,808	–1,221	–373	–26,402
Write-offs	–	–	–	–	–	–	–105	–105	–	–	–105	–105
Translation differences	61	0	–	61	–959	–100	–18	–1,077	–898	–100	–18	–1,016
Closing balance at 31 Dec 2018	**61,143**	**31**	**–**	**61,174**	**122,646**	**8,826**	**3,889**	**135,361**	**183,789**	**8,857**	**3,889**	**196,535**

Movement of allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 21 Sep 2017	–	–	–	–	–	–	–	–	–	–	–	–
Through merger	–4	–5	–9	–18	–128	–257	–1,500	–1,885	–132	–262	–1,509	–1,903
Origination and acquisition	0	0	–	0	–5	0	–1	–6	–5	0	–1	–6
Transfers from stage 1 to stage 2	0	0	–	0	6	–38	–	–32	6	–38	0	–32
Transfers from stage 1 to stage 3	–	–	–	–	0	–	–8	–8	0	0	–8	–8
Transfers from stage 2 to stage 1	–	–	–	–	–3	19	–	16	–3	19	0	16
Transfers from stage 2 to stage 3	–	–	–	–	–	10	–50	–40	0	10	–50	–40
Transfers from stage 3 to stage 1	–	–	–	–	–1	–	3	2	–1	0	3	2
Transfers from stage 3 to stage 2	–	–	–	–	–	–3	7	4	0	–3	7	4
Changes in credit risk without stage transfer	–1	–2	3	0	7	27	–3	31	6	25	0	31
Repayments and disposals	0	0	3	3	7	10	9	26	7	10	12	29
Write-off through decrease in allowance account	–	–	–	–	–	–	66	66	0	0	66	66
Translation differences	0	0	0	0	0	0	11	11	0	0	11	11
Closing balance at 31 Dec 2018	**–5**	**–7**	**–3**	**–15**	**–117**	**–232**	**–1,466**	**–1,815**	**–122**	**–239**	**–1,469**	**–1,830**

P16. Loans and impairment, cont.

Allowances and provisions[1]

31 Dec 2018, EURm	Credit institutions	The public	Total
Allowances for items on the balance sheet	–15	–1,815	–1,830
Provisions for off balance sheet items	–	–201	–201
Total allowances and provisions	**–15**	**–2,016**	**–2,031**

1) Included in Note P34 "Provisions" as "Guarantees/Commitments".

Key ratios[1]

EURm	31 Dec 2018
Impairment rate, (stage 3) gross, basis points	198
Impairment rate, (stage 3) net, basis points	123
Total allowance rate (stage 1,2 and 3), basis points	93
Allowances in relation to credit impaired loans (stage 3), %	38
Allowances in relation to loans in stage 1 and 2, basis points	19

1) For definitions, see "Glossary" on page 192

Loans to public

31 Dec 2018, EURm	Loans before allowances	Allowances	Loans carrying amount
Non financial corporations	16,227	–258	15,969
Financial and insurance corporations	782	–1	781
General government	591	0	591
Households	13,383	–68	13,315
Non-profit institutions serving households	321	–2	319
Foreign Countries	124,930	–1,486	123,444
Total	**156,235**	**–1,815**	**154,419**

Assets subject to enforcement activities	31 Dec 2018
Amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity	0

Rating/scoring information on loans measured at amortised cost

Rating/ scoring grade	Average PD, %	Gross carring amount 31 Dec 2018			
		Stage 1	Stage 2	Stage 3	Total
7	0.01	8,772	113	–	8,885
6+ / A+	0.04	10,887	68	1	10,956
6 / A	0.05	8,798	69	1	8,868
6– / A–	0.08	7,455	132	2	7,589
5+ / B+	0.08	9,005	251	2	9,258
5 / B	0.17	15,356	294	1	15,651
5– / B–	0.22	11,951	366	3	12,320
4+ / C+	0.42	15,108	426	3	15,537
4 / C	0.60	15,870	514	3	16,387
4– / C–	1.15	13,210	704	3	13,917
3+ / D+	3.10	4,132	1,369	12	5,513
3 / D	5.72	2,506	968	13	3,487
3– / D–	8.5	2,037	920	11	2,968
2+ / E+	10.44	1,284	974	65	2,323
2 / E	16.6	526	569	17	1,112
2– / E–	20.87	252	232	3	487
1+ / F+	33.90	149	175	9	333
1 / F	32.90	133	147	15	295
1– / F–	31.83	321	441	24	786
0+ / 0 / 0–	100.00	120	98	3,701	3,919
Standardised/ Unrated	0.23	2,949	28	0	2,977
Internal[1]	–	52,967	–	–	52,967
Total		**183,788**	**8,858**	**3,889**	**196,535**

1) Exposures towards Nordea entities.

P17. Interest-bearing securities and subordinated receivables

Interest-bearing securities

31 Dec 2018, EURm	Carrying amount
Interest-bearing securities, Issued by public measured at fair values through P&L	16,054
- of which measured at fair value through P/L	15,621
- of which held for trading	2,675
Interest-bearing securities, Issued by public measured at fair value through OCI[2]	432
Interest-bearing securities, Issued by other borrowers measured at fair value through P&L	58,513
- of which measured at fair value through P/L	26,583
- of which held for trading	12,618
Interest-bearing securities, Issued by other borrowers measured at fair value through OCI[2]	31,680
Interest-bearing securities, Issued by other borrowers measured at amortized cost through P&L[1]	250
Total	**74,567**
- of which listed	27,923
- of which unlisted	46,644
- of which debt securities eligible for refinancing with central banks	72,677

1) Interest-bearing securities measured at amortized cost, not impaired (stage1) EUR 250m.
2) Interest-bearing securities measured at fair value through OCI, not impaired (stage1) EUR 31,572m of which allowances EUR 2m.

Subordinated receivables

31 Dec 2018, EURm	Carrying amount
Subordinated receivables	296
Total	**296**

P18. 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 in the balance sheet to the item Financial instuments pledged as collateral.

31 Dec 2018, EURm	
Treasury bonds, notes and bills	3,430
Interest-bearing securities	10,439
Total	**13,869**

For information on transferred assets, see Note P46 "Transferred assets and obtained collaterals".

P19. Shares and participations

31 Dec 2018, EURm	Listed	Unlisted	Carrying amount
Shares	4,034	734	4,768
- of which measured at fair value through P/L	4,034	734	4,768
- of which held for trading	2,402	–	2,402
Shares in group undertakings	–	45	45
Total	**4,034**	**779**	**4,813**
- of which under securities lending	–	–	–

Shares borrowed EUR 2,258m are not recognised in the balance sheet and hence are not included in the total amount.

P20. Investments in associated undertakings and joint ventures

31 Dec 2018, EURm	
Opening balance at 21 Sep 2017	–
Through merger	1,041
Acquisitions/capital contributions during the year	12
Sales during the year	–1
Translation differences	–2
Reclassifications	–1
Acquisition value at end of year	**1,049**
- of which listed shares	–

P21. Investments in group undertakings

31 Dec 2018, EURm	
Opening balance at 21 Sep 2017	–
Through merger	13,544
Revaluations under hedge accounting	–96
Sales during the year	–29
Reclassifications	6
Acquisition value at end of year	**13,425**
Opening balance at 21 Sep 2017	–
Through merger	–1,229
Impairment charges during the year	–21
Accumulated impairment charges at end of year	**–1,250**
Total	**12,175**
- of which listed shares	–

Nordea Bank Abp's branches

	Country
Nordea Danmark, filial af Nordea Bank Abp	Denmark
Nordea Abp, Estonian Branch	Estonia
Nordea Bank Abp, German branch	Germany
Nordea Bank Abp, New York Branch	USA
Nordea Bank Abp, Filial i Norge	Norway
Nordea Bank Abp, Polish Branch	Poland
Nordea Bank Abp, Singapore Branch	Singapore
Nordea Bank Abp, filial i Sverige	Sweden
Nordea Bank Abp, UK Branch	UK
Nordea Bank Abp, Shanghai Branch	China

P21. Investments in group undertakings, cont.

Specification

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

31 Dec 2018	Registration number	Domicile	Number of shares	Carrying amount 2018, EURm	Shareholding, %	Voting power of holding %
Nordea Kredit RealKreditaktieselskab	15134275	Copenhagen	17,172,500	2,946	100.0	100.0
Nordea Hypotek AB (publ)	556091-5448	Stockholm	100,000	2,305	100.0	100.0
Nordea Eiendomskreditt AS	971227222	Oslo	15,336,269	1,232	100.0	100.0
Fionia Asset Company A/S	31934745	Copenhagen	148,742,586	1,184	100.0	100.0
Nordea Finance Finland Ltd	0112305-3	Espoo	1,000,000	1,066	100.0	100.0
Nordea Mortgage Bank Plc	2743219-6	Helsinki	257,700,000	731	100.0	100.0
Nordea Life Holding AB	556742-3305	Stockholm	1 000	719	100.0	100.0
LLC Promyshlennaya Kompaniya Vestkon[1]	1027700034185	Moscow	4,601,942,680	311	100.0	100.0
Nordea Bank S.A.	B-14157	Luxembourg	1,000,000	237	100.0	100.0
Nordea Finans Norge AS	924507500	Oslo	63,000	424	100.0	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	100.0	100.0
Nordea Asset Management Holding AB	559104-3301	Stockholm	500	234	100.0	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup	20,006	188	100.0	100.0
Nordea Finans Sverige AB (publ)	556021-1475	Stockholm	1,000,000	113	100.0	100.0
Nordea Essendropsgate Eiendomsforvaltning AS	986610472	Oslo	7,500	39	100.0	100.0
Nordea Markets Holding Company INC	36-468-1723	Delaware	1,000	20	100.0	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	21	100.0	100.0
Privatmegleren	986386661	Oslo	12,000,000	10	100.0	100.0
Tomteutvikling Norge AS	999222862	Oslo	300	2	100.0	100.0
Danbolig A/S	13186502	Copenhagen	1	0	100.0	100.0
Structured Finance Servicer A/S	24606910	Copenhagen	2	1	100.0	100.0
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	100.0	100.0
Nordea Putten Fastighetsförvaltning AB	556653-5257	Stockholm	1,000	0	100.0	100.0
Nordea do Brasil Representações Ltda	51.696.268/0001-40	São Paulo, Brazil	116,215	0	100.0	100.0
First Card AS	963215371	Oslo	200	0	100.0	100.0
Bohemian Wrappsody AB	556847-8399	Stockholm	14,658,539	7	47.9	55.4
Tordarius AB	559107-6871	Stockholm	100	0	100.0	100.0
Nordea Vallila Fastighets Förvaltning Ab	1880368-8	Helsinki	1,000	0	100.0	100.0
Total				**12,175**		

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank Abp directly 7.2% and indirecly 92.8% through LLC Promyshlennaya Kompaniya Vestkon.

P22. Derivatives and hedge accounting

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

31 Dec 2018, EURm	Fair value		Total nom. amount
	Positive	Negative	
Derivatives not used for hedge accounting	35,146	40,008	6,743,740
Fair value hedges	947	259	91,096
Cash flow hedge	1,128	324	18,433
Total derivatives	**37,221**	**40,591**	**6,853,269**

P22. Derivatives and hedge accounting, cont.

Derivatives not used for hedge accounting

31 Dec 2018, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	17,633	18,573	3,958,802
FRAs	26	8	1,036,172
Futures and forwards	19	29	144,285
Options	5,341	6,042	384,585
Other	0	7	5,724
Total	**23,019**	**24,659**	**5,529,568**
of which internal transactions	138	991	102,292
Equity derivatives			
Equity swaps	192	138	10,886
Futures and forwards	4	2	1,255
Options	303	638	15,273
Total	**499**	**778**	**27,414**
- of which internal transactions			
Foreign exchange derivatives			
Currency and interest rate swaps	6,156	9,414	410,046
Currency forwards	4,817	4,284	625,256
Options	108	116	19,879
Other	-	-	-
Total	**11,081**	**13,814**	**1,055,181**
- of which internal transactions	133	143	4,067
Other derivatives			
Credit default swaps (CDS)	537	755	130,921
Commodity derivatives	0	0	92
Other derivatives	10	2	564
Total	**547**	**757**	**131,577**
- of which internal transactions			
Total derivatives not used for hedge accounting	**35,146**	**40,008**	**6,743,740**
- of which internal transactions	271	1,134	106,359

Hedge Accounting

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in the Market risk section in the chapter "Risk management" in the Board of Director's report.

Nordea classifies its exposures to market risk into either trading (the Trading Book) or non-trading (the Banking Book) portfolios and are managed separately.

The 'Trading Book' consists of all positions in financial instruments held by Nordea either with trading intent, or in order to hedge positions held with trading intent. Positions held "with trading intent" are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices, or from other price or interest rate variations.

The Banking Book comprises all positions not held in the Trading Book. All hedges qualifying for hedge accounting are performed in the Banking Book. The hedging instruments and risks hedged are futher described below per risk and hedge accounting type.

Interest rate risk

Nordea's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea's margins, profit or loss, and equity. Interest risk arises from mismatch of interest from interest bearing liabilities and assets such as deposits, issued debt, securities and loan portfolio.

As part of Nordea's risk management strategy, the Board has established limits on the non–trading interest rate gaps for the interest rate sensitivities. These limits are consistent with the Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see the Market risk section in the chapter "Risk management" in the Board of Directors' report.

For hedge accounting relationships related to interest a risk, the hedged item is the benchmark rate. The hedging ratio is one to one and is established by matching the notional of the derivatives against the principle of the hedged item.

The benchmark rate is determinded as a change in present value of the future cash flows using benchmark rate discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea enters into fair value hedge relationships as described in Note P1 section 9. Nordea uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and loans and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities. There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates).

In the below table, the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

2018, EURm	Interest rate risk
Fair value hedges	
Carrying amount of hedged assets[1]	29,422
- of which accumulated amount of fair value hedge adjustment[3]	72
Carrying amount of hedged liabilties[2]	38,819
- of which accumulated amount of fair value hedge adjustment[3]	536

1) Presented on the balance sheet row Loans to central banks, Loan to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of portoflio hedge of interest rate risk.

2) Presented on the balance sheet row Deposit by credit institution, Deposit and borrowing from the public, Debt securities in issue and Fair value changes of portfolio hedge of interest rate risk.

3) Of which related to continuing portfolio hedges of interest rate rist.

P22. Derivatives and hedge accounting, cont.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	947	259	91,096
- of which internal transactions	14	10	1,132

The below table presents the changes in the fair value of the hedged items and changes in fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row "Net result from hedge accounting" in the income statement.

Hedge ineffectiveness

31 Dec 2018, EURm	Interest rate risk
Fair value hedges	
Changes in fair value of hedging instruments	71
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–78
Hedge ineffectiveness recognised in the income statement[1]	–7

1) Recognised on the row Net result from items at fair value.

Cash flow hedges

For Nordea's cash flow hedge accounting relationships, the hedged risk is the variability in future interest cash flows due to changes in market interest rates. In order to reduce or eliminate variability in future interest payments, Nordea primarily uses interest rate swaps and cross currency interest rate swaps as hedging instruments according to Nordea's policies and risk management strategy described in Note P1 section 9 and in the Market risk section in the chapter "Risk management" in the Board of Directors' report.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps and cross currency swaps match the terms of the future interest cash flows (i.e. notional amount and expected payment date).

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions:

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	10	2	190
- of which internal transactions	–	–	–

In the below table, the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year are specified.

Hedge ineffectiveness

2018, EURm	Interest rate risk
Cash flow hedges	
Changes in fair value of hedging instruments	1
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–1
Hedge ineffectiveness recognised in the income statement[1]	0
Hedging gains or losses recognised in OCI	1

1) Recognised on the row Net result from hedge accounting

Cash flow hedge reserve

2018, EURm	Interest rate risk
Opening balance at 21 Sep 2017	–
Through merger	1
Cash flow hedges:	
- Valuation gains/losses during the year	1
- Tax on valuation gains/losses during the year	0
- Transferred to the income statement during the year	–1
- Tax on transfers to the income statement during the year	0
Other comprehensive income, net of tax	0
Total comprehensive income	0
Balance at 31 Dec 2018	**1**
- of which relates to continuing hedges for which hedge accounting is applied	0
- of which relates to hedging relationships for which hedge accounting is no longer applied	0

The maturity profile of Nordea's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instrumens

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	1,691	10,894	59,491	16,590	88,666
Total	**–**	**1,691**	**10,894**	**59,491**	16,590	88,666

P22. Derivatives and hedge accounting, cont.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. FX risk from trading activities is limited through a VaR limit while FX risk from structural exposures as described below are limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severed but plausible stress scenario (see the Market risk section in the chapter "Risk management" in the Board of Directors report).

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency and thus exposes Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are matched by predominantly entering into cross currency interest rate swaps. 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.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuation of the spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1-ratio to fluctuate from the currency mismatch between equity and Risk Exposure Amounts (REA). Nordea applies hedge accounting when it hedges its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedeged item is foreign currency component. The hedging ratio is 1:1 and is established by matching the notional of the derivatives against the principal of the hedged item.

The currency component is determined as the change in present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value of cash flows.

Cash flow hedges

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	1,118	322	18,243
Total derivatives used for hedge accounting	**1,118**	**322**	**18,243**
-of which internal transactions	–	–	–

In the below table, the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year are specified.

Hedge ineffectiveness

Dec 2018, EURm	Foreign exchange risk
Cash flow hedges	
Changes in fair value of hedging instruments	549
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	– 549
Hedge ineffectiveness recognised in the income statement[1]	–
Hedging gains or losses recognised in OCI	549

1) Presented on the balance sheet row Loans to central banks, Loan to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of portoflio hedge of interest rate risk.

Cash flow hedge reserve

2018, EURm	Foreign exchange risk
Cash flow hedges	
Opening balance at 21 Sep 2017	–
Through merger	–29
Cash flow hedges:	
Valuation gains/losses during the year	549
Tax on valuation gains/losses during the year	–130
Transferred to the income statement during the year	–523
Tax on transfers to the income statement during the year	124
Other comprehensive income, net of tax	20
Balance at 31 Dec 2018	**–9**
– of which relates to continuing hedges for which hedge accounting is applied	–9
– of which relates to hedging relationships for which hedge accounting is no longer applied	–

Maturity profile of the nominal amount of hedging instrumens

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	1,987	3,296	12,911	2,669	20,863
Total	**–**	**1,987**	**3,296**	**12,911**	**2,669**	**20,863**

P23. Intangible assets

Intangible assets	
Goodwill allocated to cash generating units	
Personal Banking	119
Commercial and Business Banking	75
Total goodwill	**194**
Computer software	2,099
Other intangible assets	38
Total intangible assets	**2,331**

Movements in goodwill	
Opening balance at 21 Sep 2017	–
Through merger	318
Acquisition value at end of year	**318**
Opening balance at 21 Sep 2017	0
Through merger	–107
Amortisation according to plan for the year	–17
Accumulated amortisation at end of year	**–124**
Total	**194**

Movements in computer software	
Opening balance at 21 Sep 2017	–
Through merger	2,505
Acquisitions during the year	154
Sales/disposals during the year	–1
Reclassifications	0
Translation differences	–6
Acquisition value at end of year	**2,652**
Opening balance at 21 Sep 2017	–
Through merger	–460
Amortisation according to plan for the year	–44
Accumulated amortisation on sales/disposals during the year	1
Translation differences	1
Accumulated amortisation at end of year	**–502**
Opening balance at 21 Sep 2017	–
Through merger	–26
Accumulated impairment charges on sales/disposals during the year	–2
Impairment charges during the year	–23
Accumulated impairment charges at end of year	**–51**
Total	**2,099**

Movements in other intangible assets

31 Dec 2018, EURm	
Opening balance at 21 Sep 2017	–
Through merger	227
Acquisitions during the year	2
Translation differences	–1
Acquisition value at end of year	**228**
Opening balance at 21 Sep 2017	–
Through merger	–182
Amortisation according to plan for the year	–7
Translation differences	0
Accumulated amortisation at end of year	**–189**
Opening balance at 21 Sep 2017	–
Accumulated impairment charges on disposals during the of year	0
Impairment charges during the year	–1
Accumulated impairment charges at end of year	**–1**
Total	**38**

P24. Properties and equipment

31 Dec 2018, EURm	
Properties and equipment	338
- of which buildings for own use	2
Total	**338**

Movements in equipment	
Opening balance at 21 Sep 2017	–
Acquisitions during the year	3
Through merger	983
Sales/disposals during the year	–4
Reclassification	0
Translation differences	–4
Acquisition value at end of year	**978**
Opening balance at 21 Sep 2017	–
Accumulated depreciation on sales /disposals during the year	5
Depreciations according to plan for the year	–22
Through merger	–625
Reclassifications	0
Translation differences	2
Accumulated depreciation at end of year	**–640**
Total	**338**

P25. Investment properties

31 Dec 2018, EURm	
Opening balance at 21 Sep 2017	–
Throug merger	4
Acquisitions during the year	1
Sales/disposals during the year	–1
Fair value adjustments	0
Transfers/reclassifications during the year	0
Translation differences	0
Carrying amount at end of year	**4**

Amounts recognised in the income statement[1]

31 Dec 2018, EURm	
Fair value adjustments	0
Direct operating expenses that did not generate rental income	0
Total	**0**

1) Included in Net result from investment properties.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers

P26. Leasing

Nordea as a lessee

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

31 Dec 2018, EURm	
2019	186
2020	156
2021	124
2022	99
2023	80
Later years	718
Total	**1,363**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 12m.

P27. Other assets

31 Dec 2018, EURm	
Claims on securities settlement proceeds	2,753
Cash/margin receivables related to derivatives	10,220
Other[1]	2,708
Total	**15,681**

1) Includes cash items in the process of collection 144m.

P28. Prepaid expenses and accrued income

31 Dec 2018, EURm	
Accrued interest income	222
Other accrued income	175
Prepaid expenses	714
Total	**1,111**

P29. Deposits by credit institutions and central banks

31 Dec 2018, EURm	
Central banks	16,456
Credit institutions	34,971
- of which on-demand	7,878
- of which non-demand	27,093
Total	**51,427**

P30. Deposits and borrowings from the public

31 Dec 2018, EURm	
Deposits[1]	166,372
Repurchase agreements	4,730
Total	**171,102**

1) Deposits related to individual pension savings (IPS) are also included.

P31. Debt securities in issue

31 Dec 2018, EURm	Total	Amortized cost	Fair value
Certificates of deposit	29,693	29,693	–
Commercial papers	17,078	17,078	–
Other bonds	35,849	32,645	3,204
Other	47	47	–
Total	**82,667**	**79,463**	**3,204**

P32. Other liabilities

31 Dec 2018, EURm	
Liabilities on securities settlement proceeds	1,557
Sold, not held, securities	13,223
Cash items in the process of collection	2,312
Accounts payable	67
Cash/margin payables related to derivatives	4,290
Other	–192
Total	**21,257**

P33. Accrued expenses and prepaid income

31 Dec 2018, EURm	
Accrued interest	6
Other accrued expenses	1,122
Prepaid income	202
Total	**1, 330**

P34. Provisions

31 Dec 2018, EURm	
Restructuring	150
Guarantees/commitments	201
Other	1
Total	**352**

EURm	Restruc-turing	Other
Opening balance at 21 Sep 2017	–	–
Through merger	144	4
New provisions made	24	–1
Provisions utilised	–27	–1
Reversals	9	0
Translation differences	0	0
At end of year	**150**	**2**

New provisions for restructuring costs were recognised to EUR 24m. The change in restructuring provisions is following the transformation agenda of Nordea. The majority of the provision is expected to be used during 2019. 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. For further information see Board of Directors' report.

Provision for restructuring costs amounts to EUR 150m. Loan loss provisions for individually assessed guarantees and other commitments amounts to EUR 201m. Other provision amounts to EUR 2m.

Movements in provisions for off balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 21 Sep 2017	–	–	–	–
Changes due to origination and acquisition	1	1	0	3
Changes due to changes in credit risk (net)	–7	–1	–21	–29
Changes due to repayments and disposals	–2	0	0	–3
Write-off through decrease in allowance account	–	–	–10	–10
Other changes	27	52	162	240
Translation differences	0	0	–1	–1
Closing balance at 31 Dec 2018	**19**	**52**	**130**	**201**

P34. Provisions, cont.

Rating/scoring information on off balance sheet items

EURm	Nominal amount 31 Dec 2018			
Rating/scoring grade	Stage 1	Stage 2	Stage 3	Total
7+	309	–	–	309
7	4,872	–	–	4,872
7–	–	–	–	–
6+ / A+	6,200	3	0	6,204
6 / A	4,656	1	0	4,657
6– / A–	3,952	13	0	3,965
5+ / B+	6,936	48	0	6,983
5 / B	11,303	49	0	11,353
5– / B–	9,259	36	0	9,295
4+ / C+	8,048	119	0	8,167
4 / C	6,900	207	1	7,108
4– / C–	4,597	351	0	4,948
3+ / D+	1,301	635	0	1,936
3 / D	928	529	5	1,462
3– / D-	551	477	2	1,030
2+ / E+	201	241	2	445
2 / E	120	159	2	281
2– / E–	29	64	0	94
1+ / F+	34	39	0	74
1 / F	10	42	0	52
1– / F–	24	79	1	104
0+ / 0 / 0–	–	0	597	597
Standardised / Unrated	638	337	0	975
Internal[1]	55,218	–	–	55,218
Total	**126,090**	**3,427**	**611**	**130,128**

1) Exposures towards Nordea entities.

P35. Retirement benefit obligations

31 Dec 2018, EURm	
Retirement benefit assets	243
Retirement benefit liabilities	349
Net liability(-)/asset(+)	**–106**

Nordea Bank Abp sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). Nordea Bank Abp reports post-employment benefits in accordance with IAS 19 standard. IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Nordea Bank Abp's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with

P35. Retirement benefit obligations, cont.

the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplusor alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to monitor the likely level of future contributions.

Defined benefit plans may impact Nordea Bank Abp via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

IAS 19 pension calculations and assumptions

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

Assumptions[1]

31 Dec 2018	Swe	Nor	Fin	Den	UK
Discount rate[2]	2.17%	2.82%	1.58%	1.80%	2.56%
Salary increase	3.00%	2.75%	1.75%	2.25%[3]	–
Inflation	2.00%	1.50%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
1 Oct 2018					
Discount rate[2]	2.23%	2.88%	1.50%	1.83%	2.46%
Salary increase	2.75%	2.75%	1.75%	2.25%	–
Inflation	2.00%	1.75%	1.25%	–	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 31 Dec 2018 have an impact on the liability calculation by year-end 2018, while the assumptions disclosed for 1 Oct 2018 are used for calculating the pension expense in Oct-Dec 2018.
2) More information on the discount rate can be found in Note P1 "Accounting policies", section 20. The sensitivities to changes in the discount rate can be found below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2017 projections.

Sensitivities - Impact on Defined Benefit Obligation (DBO) %

	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–10.4%	–7.7%	–5.9%	–4.9%	–10.5%
Discount rate - Decrease 50bps	12.0%	8.7%	6.6%	5.4%	12.1%
Salary increase - Increase 50bps	3.7%	0.4%	0.4%	4.8%	–
Salary increase - Decrease 50bps	–2.8%	–0.4%	–0.4%	–4.5%	–
Inflation - Increase 50bps	10.2%	8.0%	4.9%	–	2.0%
Inflation - Decrease 50bps	–9.1%	–6.8%	–4.5%	–	–1.8%
Mortality - Increase 1 year	4.7%	3.4%	4.3%	5.5%	4.6%
Mortality - Decrease 1 year	–4.6%	–4.5%	–4.2%	–5.4%	–4.5%

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 gives the possibility 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. The sensitivity analysis in Sweden and Norway include the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions).

As all pensions in Denmark are salary indexed the inflation has no impact on the DBO in Denmark.

P35. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

2018 EURm	Swe	Nor	Fin	Den	UK	Total
Obligations	1,703	685	700	95	92	3,275
Plan assets	1,494	640	802	122	111	3,169
Net liability(–)/asset(+)	**–209**	**–45**	**102**	**27**	**19**	**–106**
- of which retirement benefit liabilities	–209	–139	–	–1	–	–349
- of which retirement benefit assets	–	94	102	28	19	243

Movements in the obligation

EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance at 27 Sep 2017	–	–	–	–	–	–
Through merger	1,670	713	713	94	93	3,283
Current service cost	6	1	1	–	–	8
Interest cost	9	5	3	0	1	18
Pensions paid	–16	–7	–10	–1	0	–34
Past service cost and settlements	–4	–2	–1	–	1	–6
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	19	–34	–6	0	–3	–24
Remeasurement from experience adjustments	3	42	0	1	2	48
Translation differences	4	–32	–	0	–1	–29
Change in provision for SWT/SSC[1]	12	–1	–	–	–	11
Closing balance 31 Dec 2018	**1,703**	**685**	**700**	**95**	**92**	**3,275**
- of which relates to the active population	16%	9%	10%	–	–	13%

1) Change in provision for special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

The average duration of the obligation is 18 years in Sweden, 14 years in Norway, 12 years in Finland, 11 years in Denmark and 22 years in UK based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration.

Movements in the fair value of plan assets

EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance at 27 Sep 2017	–	–	–	–	–	–
Through merger	1,509	673	829	126	115	3,252
Interest income (calculated using the discount rate)	8	5	3	0	1	17
Pensions paid	–	–4	–10	–1	0	–15
Remeasurement (actual return less interest income)	–28	–1	–20	–2	–3	–54
Translation differences	5	–33	0	–1	–2	–31
Closing balance 31 Dec 2018	**1,494**	**640**	**802**	**122**	**111**	**3,169**

Asset composition

The combined return on assets in Oct-Dec 2018 was –1.2%. Asset returns across all asset classes were negatively impacted during the latter part of the year. At the end of the year the equity exposure in Nordea´s Bank Abp's pension funds/foundations represented 24% of total assets.

P35. Retirement benefit obligations, cont.

Asset composition in funded schemes, %

2018	Swe	Nor	Fin	Den	UK	Total
Bonds	73%	59%	54%	87%	79%	66%
- sovereign	38%	36%	29%	39%	79%	36%
- covered bonds	23%	18%	5%	49%	–	18%
- corporate bonds	12%	5%	20%	–	–	11%
- issued by Nordea entities	2%	1%	–	–	–	1%
- with quoted market price in an active market	73%	59%	54%	87%	79%	66%
Equity	24%	24%	27%	12%	21%	24%
- domestic	6%	6%	7%	12%	6%	7%
- European	6%	5%	6%	–	7%	6%
- US	6%	6%	8%	–	7%	7%
- emerging	6%	6%	6%	–	1%	5%
- Nordea shares						
- with quoted market price in an active market	24%	24%	27%	12%	21%	66%
Real estate[1]	–	14%	15%	–	–	7%
- occupied by Nordea	–	–	5%	–	–	1%
Cash and cash equivalents	**3%**	**3%**	**4%**	**1%**	**–**	**3%**

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

Nordea Bank Abp expects to contribute only a minor amount to its defined benefit plans in 2019.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the parent company's income statement (as staff costs) for the year is EUR 6m. Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note P8 "Staff costs").

Recognised in the income statement

Oct - Dec 2018[1], EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	6	1	1	–	–	8
Net interest	2	0	0	0	0	2
Past service cost and settlements	–4	–2	–1	–	1	–6
SWT/SSC[2]	2	0	0	–	–	2
Pension cost on defined benefit plans (expense+ / income–)	**6**	**–1**	**0**	**0**	**1**	**6**

Recognised in other comprehensive income

Oct - Dec 2018[1], EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	19	–34	–6	0	–3	–24
Remeasurement from experience adjustments	3	42	0	1	2	48
Remeasurement of plan assets (actual return less interest income)	28	1	20	2	3	54
SWT/SSC[2]	12	2	0	0	0	14
Pension cost on defined benefit plans (expense+ / income–)	**62**	**11**	**14**	**4**	**1**	**92**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

P35. Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2018 was 7.0% of the employees' wages below 7.1 average base amounts and 18.0% of the employees' wages above 7.1 average base amounts. Average base amounts are defined in the Norwegian National Insurance Act. The premium is calculated based on the average wages- and average base amount from the previous year, excluding employees over the age of 61. Total premiums paid in October-December 2018 amounted to EUR 4m. Payments to the plan during 2018 covered 2,454 employees. The premium rate for 2019 will be on the same level as for the whole year 2018. The expected premiums in 2019 amount to EUR 14m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

Nordea Bank Abp's total pension obligations regarding key management personnel amounted to EUR 1m at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in Oct-Dec 2018 were EUR 0m. Complete information concerning key management personnel is disclosed in Note P8 "Staff costs".

P36. Subordinated liabilities

31 Dec 2018, EURm	
Dated subordinated debenture loans	6,605
Undated subordinated debenture loans	168
Hybrid capital loans	2,384
Total	**9,157**

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

The carrying amount at year end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 463m.

At 31 December 2018 six loans - with terms specified below - exceeded 10% of the total outstanding volume of dated subordinated loans.

31 Dec 2018, EURm	Nominal value	Carrying amount	Interest rate (coupon)	Interest Rate%	Currency	Classification in Capital Adequacy	Of which used for Capital Adequacy
Dated loan[1]	1,250	1,090	Fixed	4.88%	USD	Tier2	516
Dated loan[2]	1,000	999	Fixed	4.50%	EUR	Tier2	247
Dated loan[3]	750	748	Fixed	4.00%	EUR	Tier2	336
Dated loan[4]	1,000	871	Fixed	4.25%	USD	Tier2	648
Dated loan[5]	750	747	Fixed	Fixed 1.88%, until first call date, thereafter fixed 5-year mid swap +1.70%.	EUR	Tier2	747
Dated loan[6]	1,000	995	Fixed	Fixed 1.00 %, until first call date, thereafter fixed 5-year mid swap +1.25%	EUR	Tier2	995

1) Maturity date 13 May 2021.
2) Maturity date 26 March 2020.
3) Maturity date 29 March 2021.
4) Maturity date 21 September 2022.
5) Call date 10 November 2020, maturity date 10 November 2025.
6) Call date 7 September 2021, maturity date 7 September 2026.

P37. Equity

	Restricted equity						
			Other restricted reserves				
			Fair value reserve				
EURm	Share capital [1]	Revaluation reserves	Translation of foreign operations	Cash flow hedges[3]	Fair value through other comprehen-sive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option
Opening balance at 21 Sep 2017	–	–	–	–	–	–	–
Subscription of share capital	5	–	–	–	–	–	–
Through merger	4,045	–159	–9	–29	84	165	–
Net profit for the year	–	–	–	–	–	–	–
Currency translation differences during the year	–	5	0	–	–	–	–
Net investments in foreign operations:							
Valuation gains/losses during the year	–	–	–5	–	–	–	–
Tax on valuation gains/losses during the year	–	–	–1	–	–	–	–
Fair value through other comprehensive income							
Valuation gains/losses during the year	–	–	–	–	–37	–	–
Tax on valuation gains/losses during the year	–	–	–	–	8	–	–
Transferred to the income statement during the year	–	–	–	–	3	–	–
Tax on transfers to the income statement during the year	–	–	–	–	0	–	–
Cash flow hedges:							
Valuation gains/losses during the year	–	–	–	550	–	–	–
Tax on valuation gains/losses during the year	–	–	–	–130	–	–	–
Transferred to the income statement during the year	–	–	–	–524	–	–	–
Tax on transfers to the income statement during the year	–	–	–	124	–	–	–
Changes in own credit risk related to liabilities classified as fair value option:							
Valuation gains/losses during the year	–	–	–	–	–	–	10
Tax on valuation gains/losses during the year	–	–	–	–	–	–	–2
Defined benefit plans:							
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–257	–
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	56	–
Other comprehensive income, net of tax	**–**	**5**	**–6**	**20**	**–26**	**–201**	**8**
Total comprehensive income	**–**	**5**	**–6**	**20**	**–26**	**–201**	**8**
Disposal/Purchase of own shares[2]	–	–	–	–	0	–	–
Other changes	–	–	–	–	0	–2	–
Balance at 31 Dec 2018	**4,050**	**–154**	**–15**	**–9**	**58**	**–38**	**8**

1) Total shares registered were 4,050 million. For more information, see section The Nordea share and ratings in the Board of Director's report.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holdings of own shares to were 15,2 million. The total holding of own shares related to LTIP were 9,6 million. See more information on own shares below.

3) For more detailed information, see note P22.

P37. Equity, cont.

	Unrestricted equity					
EURm	Invested unrestricted reserve	Other unrestricted reserves	Retained earnings	Total	Additonal Tier 1 capital holders	Total equity
Opening balance at 21 Sep 2017	–	–	–	–	–	–
Subscription of share capital	–	–	–	5	–	5
Through merger	1,080	2,762	19,804	27,743	750	28,493
Net profit for the year	–	–	1,133	1,133	–	1,133
Currency translation differences during the year	–	–	–27	–22	–	–22
Net investments in foreign operations:						
Valuation gains/losses during the year	–	–	–	–5	–	–5
Tax on valuation gains/losses during the year	–	–	–	–1	–	–1
Fair value through other comprehensive income						
Valuation gains/losses during the year	–	–	–	–37	–	–37
Tax on valuation gains/losses during the year	–	–	–	8	–	8
Transferred to the income statement during the year	–	–	–	3	–	3
Tax on transfers to the income statement during the year	–	–	–	0	–	0
Cash flow hedges:						
Valuation gains/losses during the year	–	–	–	550	–	550
Tax on valuation gains/losses during the year	–	–	–	–130	–	–130
Transferred to the income statement during the year	–	–	–	–524	–	–524
Tax on transfers to the income statement during the year	–	–	–	124	–	124
Changes in own credit risk related to liabilities classified as fair value option:						
Valuation gains/losses during the year	–	–	–	10	–	10
Tax on valuation gains/losses during the year	–	–	–	–2	–	–2
Defined benefit plans:						
Remeasurement of defined benefit plans during the year	–	–	–	–257	–	–257
Tax on remeasurement of defined benefit plans during the year	–	–	–	56	–	56
Other comprehensive income, net of tax	**–**	**–**	**–27**	**–227**	**–**	**–227**
Total comprehensive income	**–**	**–**	**1,106**	**906**	**–**	**906**
Disposal/Purchase of own shares[2]	–	–	–13	–13	–	–13
Other changes	–	–	93	91	–	91
Balance at 31 Dec 2018	**1,080**	**2,762**	**20,990**	**28,732**	**750**	**29,482**

1) Total shares registered were 4,050 million. For more information, see section The Nordea share and ratings in the Board of Director's report.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holdings of own shares were 15,2 million. The total holding of own shares related to LTIP were 9,6 million. See more information on own shares below.

3) For more detailed information, see note P22.

P37. Equity, cont.

Nordea shares

Nordea Bank Abp has bought and sold its own shares as part of its normal trading and market making activities. The trades are specified in the table below.

Acquisitions[1]

Month	Quantity	Average price, EUR	Amount, tEUR
October	7,044,559	8,03	56,576
November	4,089,747	7,87	32,180
December	6,843,449	7,63	52,245
Total	**17,977,755**		**141,001**

Sales[1]

Month	Quantity	Average price, EUR	Amount, tEUR
October	–7,093,218	8,01	–56,805
November	–3,872,216	7,91	–30,626
December	–3,487,945	7,69	–26,835
Total	**–14,453,379**		**–114,266**

1) Excluding Nordea shares related to securities lending.

The quota value of Nordea Bank Abp share is EUR 1.00. The trades had an insignificant effect on the shareholding and voting-power in Nordea Bank Abp. At year-end 2018 Nordea Bank Abp held 15,2 million shares of Nordea (including own shares related to LTIP).

P38. Assets pledged as security for own liabilities

EURm	31 Dec 2018	of which on behalf of group companies
Assets pledged for own liabilities		
Securities etc[1]	24,611	1,176
Loans to the public	10,418	59
Other assets pledged	329	–
Total	**35,358**	**1,235**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	14,519	1,458
Deposits and borrowings from the public	2,402	–
Derivatives	4,290	4,290
Other liabilities and commitments	304	–
Total	**21,515**	**5,748**

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 P46 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements 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.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

P39. Other assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 4,788m. The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other 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.

Nordea Bank Abp has not committed to contingent liabilities on behalf of any key management personnel or auditors.

P40. Contingent liabilities

EURm	31 Dec 2018	of which on behalf of group companies
Guarantees		
- Loan guarantees	35,948	33,677
- Other guarantees	14,079	181
Documentary credits	1,403	0
Other contingent liabilities	3	–
Total	**51,433**	**33,858**

In the normal business Nordea issues various forms of guarantees in favour of the Nordea'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 con-

P40. Contingent liabilities, cont.

firmed export documentary credits. These transactions are part of the bank services and support the Nordea´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. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings of Nordea Bank Abp.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note P8 "Staff costs".

Legal proceedings

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 is considered likely to have any significant adverse effect on the Group or its financial position.

Nordea Bank Abp has not committed to contingent liabilities on behalf of any key management personnel of auditors.

P41. Commitments

EURm	31 Dec 2018	of which to group companies
Credit commitments	44,628	11,929
Unutilised overdraft facilities	35,474	9,403
Total	**80,102**	**21,332**
- of which to associated companies	6	

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2018 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2018. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments see Note P1 "Accounting policies" section 23, about derivatives, see Note P22 "Derivates and Hedge accounting" and about reverse repurchase agreements, see Note 46 "Transferred assets and obtained collaterals".

P42. Capital adequacy

As from 2018 the Capital adequacy disclosures are not part of the financial statements. The disclosures for the Group can be found on page 262 and the disclosures for the parent company on page 274.

P43. Classification of financial instruments

Assets

31 Dec 2018, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)		Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
		Mandatorily	Derivatives used for hedging	Mandatorily		
Cash and balances with central banks	39,562	–	–	–	–	39,562
Loans to credit institutions	61,159	3,612	–	–	–	64,772
Loans to the public	133,546	20,873	–	–	–	154,419
Interest-bearing securities	250	42,205	–	32,112	–	74,567
Shares and parcitipations	–	4,813	–	–	–	4,813
Investments in associated undertakings and joint ventures	–	–	–	–	1,049	1,049
Investments in group undertakings	–	–	–	–	12,175	12,175
Derivatives	–	35,146	2,075	–	–	37,221
Fair value changes of the hedged items in portfolio hedge of interest rate risk	72	–	–	–	–	72
Intangible assets	–	–	–	–	2,331	2,331
Properties and equipment	–	–	–	–	338	338
Investment properties	–	–	–	–	4	4
Deferred tax assets	–	–	–	–	130	130
Current tax assets	–	–	–	–	234	234
Retirement benefit assets	–	–	–	–	243	243
Other assets	750	12,490	–	–	2,441	15,681
Prepaid expenses and accrued income	936	–	–	–	175	1,111
Total	**236,275**	**119,139**	**2,075**	**32,112**	**19,121**	**408,722**

Liabilities

31 Dec 2018, EURm	Amortised cost (AC)	Fair value through profit and loss			Non-financial liabilities	Total
		Mandatorily	Designated at fair value through profit or loss	Derivatives used for hedging		
Deposits by credit institutions and central bank	42,941	8,486	–	–	–	51,427
Deposits and borrowings from the public	160,613	6,525	3,964	–	–	171,102
Debt securities in issue	79,464	–	3,204	–	–	82,667
Derivatives	–	40,008	–	583	–	40,591
Fair value changes of the hedged items in portfolio hedge of interest rate risk	536	–	–	–	–	536
Current tax liabilities	–	–	–	–	249	249
Other liabilities	858	18,556	–	–	1,843	21,257
Accrued expenses and prepaid income	209	–	–	–	1,121	1,330
Deferred tax liabilities	–	–	–	–	223	223
Provisions	–	–	–	–	352	352
Retirement benefit liabilities	–	–	–	–	349	349
Subordinated liabilities	9,157	–	–	–	–	9,157
Total	**293,777**	**73,575**	**7,168**	**583**	**4,137**	**379,240**

P43. Classification of financial instruments, cont.

Financial liabilities designated at fair value through profit or loss

31 Dec 2018, EURm	Liabilities where changes in credit risk is presented in OCI	Liabilites where changes in credit risk is presented in profit or loss	Total
Carrying amount per end of the year	3,204	3,964	7,168
Amount to be paid at maturity[1]	3,364	–	3,364
Changes in fair value due to changes in own credit risk, during the year	11	–	11
Changes in fair value due to changes in own credit risk, accumulated	10	–	10

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

Financial liabilities designated at fair value through profit or loss per 31 December 2018 consist of issued structured bonds in Markets operation, EUR 3,204m and deposits linked to the investment return of separate assets, EUR 3,964m. For issued structured bonds in Markets, changes in fair value due to changes in own credit risk is recognised in other comprehensive income and Nordea is calculating the change in own credit spread based on the change in Nordea's funding spread by assuming the liquidity premium for the issuance to be constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on issuance date and actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk.

P44. Assets and liabilities at fair value

Fair value of financial assets and liabilities

31 Dec 2018, EURm	Carrying amount	Fair value
Financial assets		
Cash and balances with central banks	39,562	39,562
Loans	219,263	220,214
Interest-bearing securities	74,567	74,567
Shares and participations	4,813	4,813
Derivatives	37,221	37,221
Other assets	14,175	14,175
Total	**389,601**	**390,552**

31 Dec 2018, EURm	Carrying amount	Fair value
Financial liabilities		
Deposits by credit institutions and central banks	51,427	51,427
Deposits and borrowings from the public	171,638	171,960
Debt securities in issue	82,667	82,667
Derivatives	40,591	40,591
Other liabilities	28,780	28,780
Total	**375,103**	**375,423**

For information about valuation of items measured at fair value on the balance sheet, see Note P1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. 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" below.

Categorisation into the fair value hierarchy

31 Dec 2018, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans	–	24,485	–	24,485
Interest-bearing securities[2]	29,429	44,564	324	74,317
Shares and participations	4,038	1	775	4,813
Derivatives	69	36,110	1,041	37,221
Other assets	4	12,458	28	12,490
Total	**33,540**	**117,618**	**2,168**	**153,326**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	8,486	–	8,486
Deposits and borrowings from the public	3,964	6,525	–	10,489
Debt securities in issue	–	577	2,627	3,204
Derivatives	42	39,500	1,049	40,591
Other liabilities	7,221	11,320	15	18,556
Total	**11,227**	**66,408**	**3,691**	**81,326**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 13,870m relates to the balance sheet item Financial instruments pledged as collateral.

P44. Assets and liabilities at fair value, cont.

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 inputs 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 inputs.

All valuation models, both complex and simple models, make use of market prices and inputs. These market prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names the option market is fairly illiquid, and hence implied 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. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model inputs are observable in active markets.

Valuations of Private Equity Funds, Credit Funds 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 IPEV Board. The guidelines are considered as best practice in the industry. For US based funds, similar methods are applied.

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value from 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, Nordea obtains credit spreads from the credit default swap (CDS) market, and probabilities of defaults (PDs) are inferred from this data. For counterparties that do not have a liquid CDS, PDs are estimated using a cross sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

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 addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies.

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 5,954m from Level 1 to Level 2 and EUR 2,799m from Level 2 to Level 1 of the fair value hierarchy. Nordea has

P44. Assets and liabilities at fair value, cont.

also transferred derivative assets of EUR 0m from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

Movements in Level 3

31 Dec 2018, EURm	Opening balance at 21 Sep 2017	Through merger	Fair value gains/losses recognised in the income statement during the year		Purchases /Issues	Sales	Settle-ments	Issues	Transfers into level 3	Transfers out of level 3	Transla-tion differ-ences	31 Dec 2018
			Realised	Unrealised								
Intererest-bearing securities	–	163	–2	2	169	–9	2	–	–	–	1	324
Shares and participations	–	654	46	54	208	–198	–	–	–	–	11	775
Derivatives (net)	–	441	–264	–440	–	18	246	–	–	–10	1	–8
Other assets	–	–	–	–	–	–	–	–	28	–	–	28
Debt securities in issue	–	4,012	–23	–585	–	–	–1,216	437	1	–	–	2,627
Other liabilities	–	–	–	–	–	–	–	–	14	–	1	15

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the incomestatement during the period are included in "Net result from items at fair value" (see Note P5). Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements

Financial instruments

The valuation 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 business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk taking units in the front office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is as minimum carried out on a monthly basis and is for many products 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.

The valuation adjustment 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.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

P44. Assets and liabilities at fair value, cont.

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

31 Dec 2018, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	323	Discounted cash flows	Credit spread	–32/32
Corporates	1	Discounted cash flows	Credit spread	–0/0
Total	**324**			**–32/32**
Shares including participating interest in other companies				
Unlisted shares	120	Net asset value[2]		–7/7
Private equity funds	288	Net asset value[2]		–29/29
Hedge funds	19	Net asset value[2]		–1/1
Credit Funds	222	Net asset value[2]		–22/22
Other funds	110	Net asset value[2]		–11/11
Other	16	–		–2/2
Total	**775**			**–72/72**
Derivatives				
Interest rate derivatives	237	Option model	Correlations, Volatilities	–13/14
Equity derivatives	–25	Option model	Correlations, Volatilities, Dividend	–12/8
Foreign exchange derivatives	–13	Option model	Correlations, Volatilities	–0/0
Credit derivatives	–212	Credit derivative model	Correlations, Volatilities, Recovery rates	–34/33
Other	5	Option model	Correlations, Volatilities	–0/0
Total	**–8**			**–59/55**
Other assets				
Credit institutions	28		Credit spread	–3/3
Total	**28**			**–3/3**
Debt securities in issue				
Issued structured bonds	2,627	Credit derivative model	Correlation, Volatilities, Recovery rates	–13/13
Total	**2,627**			**–13/13**
Other liabilities	15			–1/1
Total	**15**			**–1/1**

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

2) 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. All private equity fund investments are internally adjusted/valued based on the Private Equity and Venture Capital Valuation (IPEV) guidelines. These carrying amounts are in a range 5% to 100% compared to the values received from suppliers/custodians.

The tables above shows, 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 are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

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 of 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.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique

P44. Assets and liabilities at fair value, cont.

(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 P1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

Deferred day 1 profit - derivatives, net

	31 Dec 2018, EURm
Opening balance at 21 Sep 2017	–
Through merger	58
Deferred profit/loss on new transactions	62
Recognised in the income statement during the year	–39
Amount at end of year	**81**

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

31 Dec 2018, 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	39,562	39,562	3
Loans	194,777	195,728	3
Interest-bearing securities	250	250	2
Other assets	751	751	3
Prepaid expenses and accrued income	936	936	3
Total	**236,275**	**237,227**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	283,553	283,875	3
Other liabilities	858	858	3
Subordinated debt	9,157	9,157	3
Accrued expenses and prepaid income	209	209	3
Total	**293,777**	**294,099**	

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 is 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 Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

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

Interest bearing-securities

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 the 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.

P45. Assets and liabilities in EUR and other currencies

31 Dec 2018, EURm	EUR	Foreign currency	Total	From Group companies	From participating interests
Loans and receivables to credit institutions	79,428	24,906	104,334	47,190	1,856
Loans and receivables to the public	19,863	134,556	154,419	3,874	0
Interest-bearing securities	7,421	67,146	74,567	3,076	0
Derivatives contracts	13,914	23,307	37,221	278	7
Other assets	26,429	11,752	38,181	2,503	127
Total	**147,055**	**261,667**	**408,722**	**56,921**	**1,990**
Liabilities to credit institutions	17,596	33,831	51,427	9,065	100
Deposits and borrowings from the public	53,266	117,836	171,102	2,904	1
Debt securities in issue	23,495	59,172	82,667	223	0
Derivative contracts	21,879	18,712	40,591	1,144	8
Other liabilities	33,088	365	33,453	1,012	0
Total	**149,324**	**229,916**	**379,240**	**14,348**	**109**

P46. 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 during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

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

31 Dec 2018, EURm	Total
Repurchase agreements	
Debt securities eligible for refinancing with central banks	3,430
Interest-bearing securities	10,439
Total	13,869

Liabilities associated with the assets

31 Dec 2018, EURm	Total
Repurchase agreements	
Deposits by credit institutions	3,427
Deposits and borrowings from the public	8,540
Total	11,967
Net	1,902

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

31 Dec 2018, EURm	
Reverse repurchase agreements	
Received collaterals which can be repledged or sold	35,515
- of which repledged or sold	19,662
Securities borrowing agreements	
Received collaterals which can be repledged or sold	5,648
- of which repledged or sold	2,980
Total	**41,163**

P47. Maturity analysis for assets and liabilities

31 Dec 2018, EURm	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Securities eligible for Central Bank refinancing	4,272	11,804	50,345	4,247	2,009	72,677
Loans and receivables to credit institutions	62,148	9,879	31,538	718	51	104,334
Loans and receivables to the public	54,454	10,817	42,425	13,791	32,932	154,419
Interest bearing securities	659	0	345	629	257	1,890
Derivatives contracts	4,933	2,656	29,075	264	293	37,221
Other assets	22,205	22	2,696	1,020	12,238	38,181
Total	**148,671**	**35,178**	**156,424**	**20,669**	**47,780**	**408,722**
Liabilities to credit institutions	43,900	1,238	5,711	578	–	51,427
Deposits and borrowings from the public	163,728	2,136	5,182	39	17	171,102
Debt securities in issue	36,086	18,365	23,496	4,660	60	82,667
Subordinated liabilities	125	886	6,825	1,003	318	9,157
Derivative contracts and other liabilities at fair value	4,441	3,802	38,830	390	128	40,591
Other liabilities	23,968	12	293	14	9	24,296
Total	**272,248**	**26,439**	**73,337**	**6,684**	**532**	**379,240**

P48. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note P1 ”Accounting policies” section 25.

31 Dec 2018, EURm	Group undertakings	Associated undertakings	Other related parties[1]
Assets			
Debt securities eligible for refinancing with Central banks	–	–	–
Loans and receivables	51,064	155	–
Interest-bearing securities	1,410	57	–
Derivatives	278	142	–
Investments in associated undertakings and joint ventures	–	1,049	–
Investments in group undertakings	12,175	–	–
Other assets	3,647	–	–
Prepaid expenses and accrued income	522	–	–
Total assets	**69,096**	**1,403**	**–**
Liabilities			
Deposits	11,970	21	62
Debt securities in issue	223	–	–
Derivatives	1,144	180	–
Other liabilities	988	0	–
Accrued expenses and deferred income	24	–	–
Subordinated liabilities	0	–	–
Total liabilities	**14,349**	**201**	**62**
Off balance[1]	**55,186**	**342**	**–**

1) Including nominal values on derivatives in associated undertakings.

EURm	Group undertakings	Associated undertakings	Other related parties[1]
Net interest income and expenses	–104	1	0
Net fee and commission income	122	0	0
Net result from items at fair value	–164	4	–
Other operating income	83	0	–
Total operating expenses	–21	0	–
Profit before loan losses	**–84**	**5**	**0**

1) Shareholders with significant influence and close family members to key management personnel in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risktaking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note P8 “Staff costs”.

P49. Credit risk management and credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report.

Credit risk management

Credit risk exposure and loans

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

EURm	31 Dec 2018
To central banks and credit institutions	64,772
To the public	154,419
- of which corporate	108,608
- of which household	42,877
- of which public sector	2,934
Total Loans	**219,191**
Offbalance credit exposure[1]	80,102
Counterparty risk exposure	19,533
Treasury bills and interest-bearing securities[2]	74,567
Total credit risk exposure in the banking operations	**393,393**

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

The total credit risk exposure at year end according to the CRR definition after Credit Conversion Factor was EUR 303bn. See more information and breakdown of exposure according to the CRR definition in section Credit risk disclosures below and in the Capital and Risk Management Report.

Rating distribution IRB Corporate customers

2018, %	
6+	2.70
6	4.80
6–	3.70
5+	6.74
5	12.21
5–	13.53
4+	15.63
4	15.79
4–	12.47
3+	4.81
3	2.83
3–	1.81
2+	1.03
2	0.39
2–	0.21
1+	0.38
1	0.07
1–	0.06

Risk grade distribution IRB Retail customers

2018, %	
A+	28.14
A	14.69
A–	12.71
B+	11.10
B	7.94
B–	5.27
C+	4.38
C	3.10
C–	2.92
D+	1.73
D	1.53
D–	1.37
E+	1.82
E	1.21
E–	0.34
F+	0.21
F	0.26
F–	1.10

P49. Credit risk management and credit risk disclosures, cont.

Loans to the public by country and industry

31 Dec 2018, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Parent company
Energy (oil, gas, etc.)	548	51	572	490	422	2,084
Metals and mining materials	9	155	78	230	–	472
Paper and forest materials	80	314	76	333	83	886
Other materials (building materials, etc.)	260	964	359	1,596	36	3,215
Industrial capital goods	336	407	53	328	74	1,197
Industrial commercial services, etc.	2,631	1,287	2,860	3,218	313	10,309
Construction and engineering	396	558	1,959	472	11	3,396
Shipping and offshore	89	208	5,389	140	3,015	8,841
Transportation	196	329	517	567	0	1,609
Consumer durables (cars, appliances, etc.)	116	427	302	781	50	1,675
Media and leisure	216	603	219	534	1	1,572
Retail trade	2,746	1,581	695	2,558	70	7,651
Consumer staples (food, agriculture, etc.)	1,828	820	1,759	636	57	5,100
Health care and pharmaceuticals	359	330	90	187	7	974
Financial institutions	2,806	2,276	2,122	9,281	132	16,617
Real estate	2,518	7,173	10,702	7,741	25	28,158
IT software, hardware and services	428	422	264	377	158	1,650
Telecommunication equipment	6	7	2	0	–	15
Telecommunication operators	21	205	332	426	–	984
Utilities (distribution and productions)	244	2,305	900	492	6	3,946
Other, public and organisations	499	0	774	1,556	56	2,886
Total excl reverse repurchase agreements	**16,335**	**20,422**	**30,024**	**31,942**	**4,514**	**103,236**
Reversed repurchase agreements	765	–	–	–	4,606	5,371
Total corporate loans	**17,100**	**20,422**	**30,024**	**31,942**	**9,120**	**108,607**
Household mortgage loans	–	8,845	16,649	0	–	25,493
Household consumer loans	8,329	4,980	320	3,756	0	17,384
Public sector	1,514	650	30	740	–	2,934
Total loans to the public	**26,943**	**34,895**	**47,022**	**36,438**	**9,120**	**154,419**
Loans to central banks and credit institutions	11,940	3,960	6,049	29,359	13,462	64,772
Total loans	**38,883**	**38,855**	**53,071**	**65,797**	**22,582**	**219,191**

Impaired loans and allowances and ratios

31 Dec 2018, EURm	
Gross impaired loans, stage 3, EURm	3,889
- of which servicing	1,977
- of which non-servicing	1,912
Impaired loans (Stage 3) ratio, basis points	**198**
Allowance ratio Stages 1 & 2, basis points	**19**
Total allowance ratio, basis points	**93**

Net loan losses and loan loss ratios

31 Dec 2018, EURm,	
Net loan losses, EURm	–12
Loan loss ratio annualised	3
- of which (Stage 3)	13
- of which (Stages 1 & 2)	–10
Loan loss ratio bps, Personal Banking	–9
Loan loss ratio bps, Commercial & Business Banking	31
Loan loss ratio bps, Corporate & Institutional Banking	40
Loan loss ratio bps, Shipping, Offshore & Oil Services	–119

P49. Credit risk management and credit risk disclosures, cont.

Impaired loans gross and allowances by country and industry

31 Dec 2018, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Parent company	Allowances (on balance)	Impaired loans (stage 3) ratio (Stage 3 allowances/ Stage 3 loans)
Energy (oil, gas, etc.)	0	–	182	0	372	555	164	29%
Metals and mining materials	0	3	0	0	–	4	10	>100%
Paper and forest materials	16	1	0	0	–	17	8	44%
Other materials (building materials, etc.)	12	95	5	7	2	121	110	90%
Industrial capital goods	8	44	0	2	–	53	42	78%
Industrial commercial services, etc.	84	32	51	53	82	301	134	44%
Construction and engineering	36	26	17	5	–	85	68	80%
Shipping and offshore	50	0	265	1	269	585	178	30%
Transportation	10	10	26	4	–	51	26	52%
Consumer durables (cars, appliances, etc.)	23	23	81	3	1	131	43	33%
Media and leisure	7	11	4	0	–	22	11	51%
Retail trade	161	43	13	65	1	283	177	63%
Consumer staples (food, agriculture, etc.)	335	48	4	4	–	390	226	58%
Health care and pharmaceuticals	2	2	0	0	–	4	3	77%
Financial institutions	195	8	64	19	–	285	187	66%
Real estate	82	81	65	2	–	230	113	49%
IT software, hardware and services	8	4	0	0	–	13	18	>100%
Telecommunication equipment	0	1	0	0	–	1	1	57%
Telecommunication operators	0	0	0	2	–	3	6	>100%
Utilities (distribution and productions)	1	0	1	0	–	2	3	>100%
Other, public and organisations	2	0	0	0	–	2	0	-22%
Total corporate impaired loans	**1,031**	**434**	**779**	**167**	**728**	**3,138**	**1,526**	
Household mortgages impaired loans	0	262	74	0	0	337	45	13%
Household consumer impaired loans	182	172	5	54	0	414	243	59%
Public sector impaired loans	–	–	–	–	–	–	1	-
Credit institutions impaired loans	–	–	–	–	–	–	15	>100%
Total impaired loans	**1,213**	**868**	**859**	**221**	**728**	**3,889**		
Total allowances	**804**	**343**	**281**	**162**	**240**		**1,830**	
Total provisioning ratio	**66%**	**40%**	**33%**	**73%**	**33%**			**47%**

Credit portfolio

Including on and offbalance sheet exposures and exposures related to securities, the total credit risk exposure at year end was EUR 393bn. Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 303bn. See more information and breakdown of exposure according to the CRR definition below.

Credit risk is measured, monitored and segmented in different ways. Onbalance lending consists of fair value lending and amortised cost lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses. Credit risk in lending is measured and presented as the principal amount of onbalance sheet claims, i.e. loans to credit institutions and to the public, and offbalance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing.

Nordea Bank Abp's loans to the public amounted to EUR 154bn at the year end 2018. The corporate portfolio totalled EUR 109bn and the household portfolio EUR 43bn. The overall credit quality is solid with strongly rated customers. Of the lending to the public portfolio, corporate customers accounted for 70%, household customers for 28% and the public sector for 2%. Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, amounted to EUR 65bn at the end of 2018.

Loans to corporate customers

Loans to corporate customers at the end of 2018 amounted to EUR 109bn. The contribution of the three largest industries is approximately 51% of total lending to corporate customers. Real estate management (commercial & residential) is the largest industry in Nordea's lending portfolio, at EUR 28.2bn.

Loans to household customer

At year end 2018 lending to household customers amounted to EUR 43bn. Mortgage lending was EUR 25bn and consumer lending EUR 17bn. The proportion of mortgage lending of total household lending was 59%.

P49. Credit risk management and credit risk disclosures, cont.

Geographical distribution
Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries account for 94%. The portfolio is geographically well diversified with no market accounting for more than 30% of total lending. Other EU countries represent the largest part of lending outside the Nordic countries.

Rating and scoring distribution
One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. For the corporate rating the majority of the rating is allocated to 4+ and 4. For the retail rating grade the majority of the rating is found in A+ and A.

Loan classes
The loan portfolio consists of two classes; loans measured at fair value of EUR 24bn and loans measured at amortised cost of EUR 193bn. For further information on loans measured at fair value, see note P16. Loans measured at amortised cost are the basis used for impaired loans, allowances and loan losses.

Impaired loans (Stage 3)
Impaired loans gross in Nordea Bank Abp amounted to EUR 3.889m, corresponding to 198 basis points of total loans. 51% of impaired loans gross are servicing and 49% are non-servicing. Impaired loans net, after allowances for Stage 3 loans amount to EUR 2,420m, corresponding to 123 basis points of total loans. Allowances for Stage 3 loans amount to EUR 1,469m. Allowances for Stages 1&2 loans amount to EUR 361m. The ratio of allowances in relation to impaired loans is 38% and the allowance ratio for loans in Stages 1&2 is 19 basis points.

Net loan losses
Loan losses amount to EUR 12m in Oct-Dec 2018. This corresponds to a loan loss ratio of 3 basis points. EUR 13m relates to corporate customers, and EUR -1m to household customers.

Credit risk disclosures

Allowances for credit risk

EURm	Note	31 Dec 2018
Loans to central banks and credit institutions	P16	15
Loans to the public	P16	1,815
Interest bearing securities measured at fair value through other comprehensive income or amortised cost	P14	2
Off-balance sheet items	P34	201
Total		**2,033**

Maximum exposure to credit risk

31 Dec 2018, EURm	Note	AC+FVOCI	FVTPL
Loans to central banks and credit institutions	P16, P43	61,160	3,612
Loans to the public	P16, P43	133,546	20,873
Interest bearing securities	P14, P43	32,362	42,205
Derivatives			37,221
Off-balance sheet items	P41, P42	130,129	
Total		**357,197**	**103,911**

Exposure types

31 Dec 2018, EURm	
On-balance sheet items	303,375
Off-balance sheet items	72,835
Securities financing	4,942
Derivatives	15,095
Total exposure	**396,247**

Tables presented in this Note, containing exposure, 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 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 into exposure classes where each exposure class is divided into exposure types as follows:
- On-balance sheet items.
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities).
- Securities financing (e.g. reversed repurchase agreements and securities lending).
- Derivatives.

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):
- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

The the next table the link between the CRR credit risk exposure and items presented in the Annual Report is shown.

On-balance sheet items
The following items are excluded from the balance sheet, when on-balance sheet exposure is calculated in accordance with the CRR:
- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- 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.

P49. Credit risk management and credit risk disclosures, cont.

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:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- "Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives.

Derivatives and securities financing

The fair value of derivatives is recognised on the balance sheet 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

31 Dec 2018, EURm	Original Exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	39,562	–	–	–	39,562
Loans to credit institutions and central banks	55,803	–	8,984	–15	64,772
Loans to the public	131,948	–	20,771	1,700	154,419
Interest-bearing securities and pledged instruments	56,262	16,801	–	1,504	74,567
Derivatives[1]	–	–	37,221	–	37,221
Intangible assets	–	–	–	2,331	2,331
Other assets and prepaid expenses	19,767	14,663	–	1,420	35,850
Total assets	**303,342**	**31,464**	**66,976**	**6,940**	**408,722**
Exposure at default[2]	**303,376**				

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 exposures have a CCF of 100% but can still have a lower exposure value due to provisions in the standardised approach, that are deducted from the original exposure when calculating exposure value.

Off-balance sheet items

31 Dec 2018, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	51,432	–	–	51,432
Commitments	80,102	–	–	80,102
Total	**131 534**	–	–	**131 534**

31 Dec 2018, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	59,620	– 260	59,360	49%	29,100
Checking accounts	14,066	1,454	15,520	49%	7,559
Loan commitments	6,412	1,117	7,529	39%	2,938
Guarantees	50,427	–	50,427	65%	32,942
Other (leasing and documentary credits)	1,009	–4	1,005	30%	296
Total exposure	**131,534**	**2,307**	**133,841**		**72,835**

P49. Credit risk management and credit risk disclosures, cont.

Exposure classes split by exposure type

31 Dec 2018, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	76,929	1,456	1,084	3,179	82,649
Institutions	84,145	10,774	2,723	4,689	102,331
Corporate	82,056	35,188	1,134	7,155	125,533
Retail[1]	43,108	19,766	–	71	62,946
Other	17,138	5,651	–	–	22,789
Total exposure	**303,376**	**72,835**	**4,942**	**15,095**	**396,247**

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

31 Dec 2018, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorithies and central banks	52,296	7,930	30,082	3,142	11,142	4	-	21,964	8,385	82,649
Institutions	90,490	27,263	15,013	11,315	36,899	2,099	613	559	8,570	102,331
Corporate	104,025	29,471	21,332	25,036	28,186	1,443	714	2,223	17,128	125,533
Retail[1]	62,406	24,637	13,676	18,959	5,134	19	6	53	462	62,946
Other	21,141	5,590	9,504	2,061	3,986	-	807	135	705	22,789
Total exposure	**330,358**	**94,891**	**89,607**	**60,513**	**85,347**	**3,565**	**2,140**	**24,934**	**35,250**	**396,247**

1) Includes exposures secured by real estate.

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 (statistical classification codes of economic activities in the European community). The industry group which has the largest share of total exposure is Other, public and organisations; they account for 47% of the total exposure.

Exposure split by industry sector

EURm	31 Dec 2018
Construction and engineering	4,744
Consumer durables (cars, appliances, etc.)	2,520
Consumer staples (food, agriculture etc.)	7,684
Energy (oil, gas, etc.)	2,200
Health care and pharmaceuticals	1,635
Industrial capital goods	3,122
Industrial commercial services	13,578
IT software, hardware and services	2,003
Media and leisure	1,833
Metals and mining materials	691
Other financial institutions	103,317
Other materials (chemical, building materials, etc.)	4,513
Other, public and organisations	186,807
Paper and forest materials	1,722
Real estate management and investment	31,232
Retail trade	9,841
Shipping and offshore	9,106
Telecommunication equipment	252
Telecommunication operators	1,356
Transportation	2,609
Utilities (distribution and production)	5,482
Total exposure	**396,247**

At the end of 2018, the share of total exposure secured by eligible collateral was 17%. Approximately 3% of total exposure was secured by guarantees and credit derivatives.

P49. Credit risk management and credit risk disclosures, cont.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2018, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorithies and central banks	81,198	80,171	350	–
Institutions	114,313	102,331	152	162
Corporate	159,674	125,533	10,332	37,748
Retail[1]	71,053	62,924	1,985	30,975
Other	30,980	25,288	–	21
Total exposure	**457,218**	**396,247**	**12,819**	**68,906**

1) Includes exposures secured by real estate.

Collateral distribution

The table presents the distribution of collateral used in the capital adequacy calculation process. The table shows that real estate collateral had the major share with a 49% of total eligible collateral. Commerical real estate represents approximately to 32%.

	31 Dec 2018
Financial Collateral	2.8%
Receivables	1.0%
Residential Real Estate	49.1%
Commercial Real Estate	31.8%
Other Physical Collateral	15.4%
Total	**100.0%**

Loan-to-value distribution

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2018, the majority of the exposure is classified in < 50% LTV bucket

Retail mortgage exposure

31 Dec 2018	EURbn	%
<50%	23.2	82
50–70%	3.5	13
70–80%	0.9	3
80–90%	0.4	1
>90%	0.3	1
Total	**28.3**	**100**

Forbearance

EURm	31 Dec 2018
Forborne loans	3,061
- of which defaulted	2,040
Allowances for individually assessed impaired and forborne loans	709
- of which defaulted	690

Key ratios

	31 Dec 2018
Forberance ratio[1]	1.4%
Forbearance coverage ratio[2]	23%
-of which defaulted	34%

1) Forborne loans/Loans before allowances (Central banks and credit institutions and the public)
2) Individual allowances/Forborne loans

Additional information on forbearance is disclosed in the risk management section of of the Board of Directors´ Report.

Assets taken over for protection of claims[1]

31 Dec 2018, EURm	
Land and buildings	5
Total	**5**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

P49. Credit risk management and credit risk disclosures, cont.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers were at end of 2018 EUR 485m and past due loans for household customers were EUR 1,163m.

31 Dec 2018, EURm	Corporate customers	Household customers
6–30 days	131	701
31–60 days	44	104
61–90 days	18	37
>90 days	292	321
Total	**485**	**1,163**
Past due not impaired loans divided by loans to the public after allowances, %	0.3	2.7

Loans to corporate customers, by size of loan

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 56% of the corporate volume represents loans up to EUR 50m per customer.

31 Dec 2018, Size in EURm	Loans EURm	%
0–10	26,308	28.0
10–50	26,643	28.4
50–100	15,532	16.5
100–250	14,165	15.1
250–500	4,321	4.6
500–	6,939	7.4
Total	**93,908**	**100.0**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note P17 "Interest-bearing securities and subordinated receivables" where the carrying amount of interest-bearing securities is split on different types of counterparties.

P50. Customer Assets being Managed

31 Dec 2018, EURm	
Asset management	84,468
Custody assets	685,255
Total	**769,723**

Customers' Long term savings account (PS-account) were minor amounting to EUR 4m as 31 December 2018.
Total of customers PS investmets are EUR 47m.

Signing

The Board of Directors' and the CEO's signing of the Board of Directors' report and the Financial Statements 2018

Nordea Bank Abp is the parent company of the Nordea Group and domiciled in Helsinki, Finland. A copy of the report by the Board of Directors and financial statement is available from Nordea Bank Abp, Aleksis Kiven katu 7, 00500 Helsinki and from Nordea's website www.nordea.com.

Nordea Bank Abp's distributable retained earnings including profit for the year are EUR 18,896,473,415.98 and the unrestricted equity reserve is EUR 4,591,670,261.24. The Board of Directors proposes a dividend of EUR 0.69 per share for 2018. The total dividend payment for 2018 would then be EUR 2,787,859,824.33, excluding dividend for treasury shares and would be paid from retained earnings. After the dividend pay-out, EUR 16,108,613,591.65 is to be carried forward as distributable retained earnings.

21 February 2019

Björn Wahlroos
Chairman

Lars G Nordström
Vice Chairman

Dorrit Groth Brandt
Board member[1]

Pernille Erenbjerg
Board member

Nigel Hinshelwood
Board member

Robin Lawther
Board member

Torbjörn Magnusson
Board member

Gerhard Olsson
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Silvija Seres
Board member

Birger Steen
Board member

Maria Varsellona
Board member

Casper von Koskull
President and CEO

Auditor's note

A report on the audit performed has been issued today.

Helsinki 26 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

1) Employee representative.

Auditor's report *(Translation of the Swedish original)*

To the Annual General Meeting of Nordea Bank Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Nordea Bank Abp (business identity code 2858394-9) for the financial year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in Note G8 Other expenses/Auditors' fees to the consolidated financial statements.

Our Audit Approach

Overview

- Overall group materiality: € 200 million, which represents 5 % of operating profit.

- The group audit scope encompassed all significant group companies, as well a number of smaller group companies in Nordic countries and Luxembourg, covering the vast majority of revenue, assets and liabilities.

- Impairment of loans to customers
- Valuation of financial instruments held at fair value
- Actuarial assumptions related to the Life business
- IT systems supporting processes over financial reporting.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 200 million
How we determined it	5 % of operating profit
Rationale for the materiality benchmark applied	We chose operating profit as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Nordea group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at group companies, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter

Impairment of loans to customer

Key audit matter in the audit of the group

Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G10 – Net loan losses and Note G13 – Loans and impairment to the consolidated financial statements.

IFRS 9, the new accounting standard for financial instruments, came into effect on 1 January 2018 and has significant impact on processes and models for impairment of loans to customers.

IFRS 9 categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated.

Expected credit losses are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. These calculations are a central part of the assessment of impairment of loans to customers. The calculations include critical judgements and estimates.

IFRS 9 also allows for expert credit judgement to be applied to loan loss provisioning.
This is also a key audit matters with respect to our audit of the parent company financial statements.

How our audit addressed the key audit matter

Our audit included a combination of testing of internal controls over financial reporting and substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the lending processes.

We had a special focus on loans to customers in the shipping, offshore and oil services, exposures affected by US sanctions and the Agricultural sector in Denmark due to the macro economic environment impacting these industries.

In addition, our credit modelling experts have performed recalculations for a sample of loans and model outputs in order for us to obtain comfort over the calculated ECL.

We have also audited adjustments related to expert credit judgements. We have assessed that rationale exists to account for the adjustments at year-end and we have reviewed minutes of Risk Committee meetings to ensure that the correct governance procedures have been performed.

In addition we have audited the financial effects and disclosures related to the transition to IFRS 9.

Valuation of financial instruments held at fair value

Key audit matter in the audit of the group

Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G18 – Derivatives and Hedge accounting, Note G39 – Classification of financial instruments and Note G40 – Assets and liabilities at fair value to the consolidated financial statements.

Given the ongoing volatility and macro economic uncertainty, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilise observable, and for level III unobservable inputs, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties.

Important areas in valuation of financial instruments held at fair value relate to:

- Framework and policies relating to models and valuation;
- Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and
- Disclosures of financial instruments.

This is also a key audit matters with respect to our audit of the parent company financial statements.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over:

- The identification, measurement and oversight of valuation of financial instruments
- Fair value hierarchy, fair value adjustments and independent price verification
- Model control and governance.

We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls.

For the valuations dependent on unobservable inputs or which involve a higher degree of judgment, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions.

In respect of fair value adjustments, specifically Credit, Debt and Funding fair value adjustments (CVA, DVA and FFVA) for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.

Actuarial assumptions related to the Life business

Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty) and Note G27 – Liabilities to policyholders to the consolidated financial statements.

Technical provisions involves subjective judgments over uncertain future outcomes. The value is based on models where significant judgment is applied in setting economic assumptions, actuarial assumptions as well as customer behavior. Changes in these assumptions can materially impact the valuation of technical provisions.

We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business.

Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

It systems supporting processes over financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.

This is also a key audit matters with respect to our audit of the parent company financial statements.

We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to program and data as well as program development and changes.

For logical access to program and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT-systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

As set forth in the Memorandum of Association of Nordea Bank Abp, we have acted as the auditor as of 21 September 2017. Our appointment represents a total period of uninterrupted engagement of one financial year.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 26 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

Capital adequacy for the Nordea Group

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is 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 Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR).

CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries on the 1 January 2014.

The Basel III framework is built on three Pillars:

- **Pillar I** – requirements for the calculation of REA and Capital
- **Pillar II** – rules for the Supervisory Review Evaluation Process (SREP) including the Internal Capital Adequacy Assessment Process (ICAAP)
- **Pillar III** – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2019, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

The disclosures in this note cover the Nordea Group as defined on page 273.

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.

Tier 1 capital

Tier 1 capital is the sum of common equity tier 1 capital and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing 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 capital items consist of additional Tier 1 instruments and the related share premium.

Additional Tier 1 instruments

Additional Tier 1 instruments are subordinated capital instruments that rank senior only to share capital. CRR specifies the necessary characteristics required for inclusion in additional Tier 1 capital. The instruments are loss-absorbing from a going concern perspective as coupons can be cancelled at any time at the full discretion of the issuer and the principal will be written down if the Common Equity Tier 1 capital ratio would fall below a pre-defined trigger level. The instruments are perpetual and can only be repaid with the permission from the national competent authorities and not earlier than five years after original issuance of the instrument. Additional Tier 1 instruments that fulfil the CRR requirements are fully included whereas remaining instruments are phased out according to transitional rules. During 2018, Nordea did not issue any additional Tier 1 instrument. At year-end, Nordea held EUR 2.9bn in undated subordinated instruments..

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-á-vis depositors and other bank creditors.

Tier 2 instruments

Tier 2 instruments are subordinated instruments. The basic principle for subordinated instruments in own funds is the order of priority in case of a default or bankruptcy situation.

Under such conditions, the holder of the subordinated instrument would be repaid after other creditors, but before shareholders. Tier 2 instruments have an original maturity of at least five years. According to the regulation, Tier 2 instruments that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The inclusion of outstanding Tier 2 instruments in the Tier 2 capital is reduced if the remaining maturity is less than five years. As of year-end, Nordea held EUR 5.0bn in dated subordinated instruments.

The tables below shows the main features of outstanding-Common Equity Tier 1, additional Tier 1 and Tier 2 instruments.

Common Equity Tier 1 capital: instruments and reserves

		A) Amount at disclosure date, EURm	(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	5,130	–
	of which: Instrument type 1	4,050	–
2	Retained earnings	23,943	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–541	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**28,532**	**–**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–210	–
8	Intangible assets (net of related tax liability) (negative amount)	–3,885	–
11	Fair value reserves related to gains or losses on cash flow hedges	12	–
12	Negative amounts resulting from the calculation of expected loss amounts	–76	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–108	–
15	Defined-benefit pension fund assets (negative amount)	–116	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–9	–
25a	Losses for the current financial year (negative amount)	–6	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	57
	Of which: ...filter for unrealised loss on AFS debt instruments	–	–51
	Of which: ...filter for unrealised gain on AFS debt instruments	–	108
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–4,398**	**57**
29	**Common Equity Tier 1 (CET1) capital**	**24,134**	**57**
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	2,878	–
31	of which: classified as equity under applicable accounting standards	750	–
32	of which: classified as liabilities under applicable accounting standards	2,128	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,878**	**–**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–28	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–28**	**–**
44	**Additional Tier 1 (AT1) capital**	**2,850**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**26,984**	**–**
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	4,973	–
50	Credit risk adjustments	135	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,108**	**–**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–64	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,000	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,064**	**–**
58	**Tier 2 (T2) capital**	**4,044**	**–**
59	**Total capital (TC = T1 + T2)**	**31,028**	**–**
60	**Total risk weighted assets**	**155,886**	**–**

Common Equity Tier 1 capital: instruments and reserves, cont.

		A) Amount at disclosure date, EURm	(C) Amounts subject to pre- regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.5%	–
62	Tier 1 (as a percentage of risk exposure amount)	17.3%	–
63	Total capital (as a percentage of risk exposure amount)	19.9%	–
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)	3.4%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.9%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.0%	–
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)	299	–
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)	909	–
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)	135	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	646	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–

Minimum capital requirement and REA

EURm	31 Dec 2018 Minimum Capital requirement	31 Dec 2018 REA	31 Dec 2017 Minimum Capital requirement	31 Dec 2017 REA
Credit risk	**9,678**	**120,969**	**8,219**	**102,743**
- of which counterparty credit risk	534	6,671	488	6,096
IRB	8,611	107,635	7,104	88,808
- sovereign	–	–	149	1,869
- corporate	5,749	71,868	4,560	57,004
- advanced	4,850	60,626	3,774	47,173
- foundation	899	11,242	786	9,831
- institutions	477	5,953	493	6,163
- retail	2,078	25,979	1,671	20,888
- secured by immovable property collateral	1,369	17,118	934	11,678
- other retail	709	8,861	737	9,210
- items representing securitisation positions	132	1,648	68	850
- other	175	2,187	163	2,034
Standardised	1,067	13,334	1,115	13,935
- central governments or central banks	48	600	22	281
- regional governments or local authorities	7	86	1	7
- public sector entities	0	2	0	3
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	20	248	14	171
- corporate	312	3,904	261	3,264
- retail	259	3,243	258	3,225
- secured by mortgages on immovable properties	79	984	197	2,458
- in default	28	344	47	592
- associated with particularly high risk	65	811	60	754
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	198	2,472	208	2,598
- other items	51	640	47	582
Credit Value Adjustment Risk	**74**	**931**	**96**	**1,207**
Market risk	**485**	**6,064**	**282**	**3,520**
- trading book, Internal Approach	351	4,388	196	2,444
- trading book, Standardised Approach	86	1,070	86	1,076
- banking book, Standardised Approach	48	606	–	–
Operational risk	**1,319**	**16,487**	**1,345**	**16,809**
Standardised	1,319	16,487	1,345	16,809
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	**53**	**657**	**–**	**–**
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**850**	**10,626**	**–**	**–**
Additional risk exposure amount due to Article 3 CRR	**12**	**152**	**120**	**1,500**
Sub total	**12,471**	**155,886**	**10,062**	**125,779**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	–	–	6,132	76,645
Total	**12,471**	**155,886**	**16,194**	**202,424**

Leverage ratio

	31 Dec 2018	31 Dec 2017
Tier 1 capital, transitional definition, EURm[1]	26,984	28,008
Leverage ratio exposure, EURm	528,163	538,338
Leverage ratio, percentage	5.1	5.2

1) Including profit for the period.

Capital requirements for market risk

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
31 Dec 2018, EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	967	77	652	52	–	–	1,619	129
Equity risk	89	7	370	30	–	–	459	37
Foreign exchange risk	132	11	–	–	606	48	738	59
Commodity risk	–	–	32	3	–	–	32	3
Settlement risk	–	–	16	1	–	–	16	1
Diversification effect	–464	–37	–	–	–	–	–464	–37
Stressed Value-at-Risk	2,173	174	–	–	–	–	2,173	174
Incremental Risk Measure	1,066	85	–	–	–	–	1,066	85
Comprehensive Risk Measure	425	34	–	–	–	–	425	34
Total	**4,388**	**351**	**1,070**	**86**	**606**	**48**	**6,064**	**485**

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR. Table A3–A5 include disclosure of capital instruments' main features in accordance with Article 3 in Commission implementing regulation (EU) No 1423/2013, where the template in Annex II is used.

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	FI4000297767
3	Governing law(s) of the instrument	Finnish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons/dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

Table A4 – Capital instruments' main features template – AT1

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013							
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment							
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 873m	EUR 435m	EUR 219m	EUR 125m	EUR 480m	EUR 745m
9	Nominal amount of instrument	USD 1,000m / EUR 875m	USD 500m / EUR 437m	SEK 2,250m / EUR 220m	NOK 1,250m / EUR 126m	USD 550m / EUR 481m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Equity
11	Original date of issuance	23 Sep 2014	23 Sep 2014	12 Mar 2015	12 Mar 2015	12 Mar 2015	28 Nov 2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	23 Sep 2019 In addition tax/regulatory call 100 per cent of nominal amount	23 Sep 2024 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/regulatory call 100 per cent of nominal amount	13 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2025 In addition tax/regulatory call 100 per cent of nominal amount

Table A4 – Capital instruments' main features template – AT1, cont

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013							
16	Subsequent call dates, if applicable	23 Mar and 23 Sep each year after first call date	23 Mar and 23 Sep each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date	12 Mar each year after first call date
Coupons / dividends							
17	Fixed or floating dividend / coupon	Fixed	Fixed	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	No	No	No

Table A5 – Capital instruments' main features template – T2

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 247m (24.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 336m (44.8 per cent of Nominal amount, <5 yrs to maturity)	EUR 516m (47.2 per cent of Nominal amount, <5 yrs to maturity)	EUR 648m (74.1 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,093m	USD 1,000m / EUR 875m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	26 Mar 2010	29 Sep 2010	13 May 2011	21 Sep 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	26 Mar 2020	29 Mar 2021	13 May 2021	21 Sep 2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
Coupons / dividends					
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4,50%	4,00%	4,875%	4,250%
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 166m	EUR 225m	EUR 119m	EUR 747m
9	Nominal amount of instrument	SEK 1,700m / EUR 166m	SEK 2,300m / EUR 225m	JPY 15,000m / EUR 119m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	17 Sep 2015	17 Sep 2015	6 Oct 2015	10 Nov 2015
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	17 Sep 2025	17 Sep 2025	6 Oct 2025	10 Nov 2025
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10 Nov 2020 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar, 17 Jun, 17 Sep and 17 Dec each year after first call date	17 Sep each year after first call date	N/A	10 Nov each year after first call date
Coupons / dividends					
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1,160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1486520403	N/A	N/A	N/A
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 995m	EUR 79m	EUR 159m	EUR 79m
9	Nominal amount of instrument	EUR 1,000m	JPY 10,000m / EUR 79m	JPY 20,000m / EUR 159m	JPY 10,000m / EUR 79m
9a	Issue price	99.391 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	07 Sep 2016	06 Jun 2018	06 Jun 2018	06 Jun 2018
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	07 Sep 2026	26 Feb 2034	04 Mar 2040	12 Oct 2040
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	07 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount	26 Feb 2029 In addition tax/regulatory call 100 per cent of nominal amount	04 Mar 2035 In addition tax/regulatory call 100 per cent of nominal amount	12 Oct 2035 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	7 Sep each year after first call date	26 Feb and 26 Aug each year after first call date	4 Mar and 4 Sep each year after first call date	12 Apr and 12 Oct each year after first call date
Coupons / dividends					
17	Fixed or floating dividend / coupon	Fixed	Fixed to floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +1.1 per cent per annum	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.2 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.2 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013				
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557FAH91/ US65557HAH57	XS1884708238	NO0010833015
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 435m	EUR 171m	EUR 50m
9	Nominal amount of instrument	USD 500m / EUR 437m	SEK 1,750m / EUR 171m	NOK 500m / EUR 50m
9a	Issue price	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	13 Sep 2018	26 Sep 2018	26 Sep 2018
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	13 Sep 2033	26 Sep 2028	26 Sep 2028
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	13 Sep 2028 In addition tax/regulatory call 100 per cent of nominal amount	26 Sep 2023 In addition tax/regulatory call 100 per cent of nominal amount	26 Sep 2023 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	26 Mar, 26 Jun, 26 Sep and 26 Dec each year after first call date	26 Mar, 26 Jun, 26 Sep and 26 Dec each year after first call date
Coupons / dividends				
17	Fixed or floating dividend / coupon	Fixed	Floating	Floating
18	Coupon rate and any related index	Fixed 4.625 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.69 per cent per annum	Floating 3-month STIBOR +1.4 per cent per annum	Floating 3-month NIBOR +1.4 per cent per annum
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No

Specification of group undertakings 31 December 2018

Owner	Company name	Voting power of holding, %	Accounting consolidation
Nordea Bank Abp	Nordea Finance Finland Ltd	100	Acquisition method
	Nordea Mortgage Bank Plc	100	Acquisition method
	Nordea Funds Ltd	100	Acquisition method
	Automatia Pankkiautomaatit Oy	33	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Acquisition method
Nordea Bank Abp	Nordea Eiendomskreditt AS	100	Acquisition method
	Nordea Finans Norge AS	100	Acquisition method
	Eksportfinans ASA	23	Equity method
	Nordea Utvikling AS	100	Acquisition method
Nordea Bank Abp	Nordea Finans Danmark A/S	100	Acquisition method
	Nordea Kredit Realkreditaktieselskab	100	Acquisition method
	LR-Realkredit A/S	39	Equity method
	Fionia Asset Company A/S	100	Acquisition method
Nordea Finans Danmark A/S	BH Finance K/S	100	Acquisition method
	NAMIT 10 K/S	100	Acquisition method
	UL Transfer Aps	100	Acquisition method
	DT Finance K/S	100	Acquisition method
	BAAS 2012 K/S	100	Acquisition method
Fionia Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Acquisition method
Nordea Bank Abp	LLC Promyshlennaya Kompaniya Vestkon	100	Acquisition method
Promyshlennaya Companiya Vestkon / Nordea Bank Abp	Joint Stock Company Nordea Bank	100	Acquisition method
Joint Stock Company Nordea Bank	Nordea Leasing LLC	100	Acquisition method
Nordea Bank Abp	Nordea Hypotek AB (publ)	100	Acquisition method
	Nordea Finans Sverige AB (publ)	100	Acquisition method
	Nordea Asset Management Holding AB	100	Acquisition method
	Bankomat AB	20	Equity method
	Getswish AB	20	Equity method
	Luminor Group AB	49,9	Equity method
	Nordea Markets Holding Company INC	100	Acquisition method
Nordea Markets Holding Company LLC	Nordea Markets LLC	100	Acquisition method
Nordea Asset Management Holding AB	Nordea Investment Management AB	100	Acquisition method
	Nordea Investment Funds S.A.	100	Acquisition method
	Madrague Capital Partners AB	40	Equity method
	NAM Alternative Investment AB	100	Acquisition method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	Acquisition method
	Nordea Investment Management AG	100	Acquisition method
	Nordea Asset Management UK Ltd	100	Acquisition method
Nordea Bank Abp	Nordea Bank S.A.	100	Acquisition method

Capital adequacy for the Nordea Parent company

Capital Management
Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to different asset, liability and risk categories. The goal is to enhance returns to shareholders while maintaining a prudent capital structure. The Board of Directors decide ultimately on the targets for capital ratios, capital policy and the overall framework of capital management in Nordea. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

Capital requirements
The capital requirement and the own funds described in this section follow the rules in the Capital Requirements Regulation (CRR) and not accounting standards, see Note P42 for details. Therefore, the capital requirement and the own funds are only applicable for Nordea Bank Abp on its consolidated situation, in which the insurance companies are not consolidated.

Capital policy
The Nordea Group's current capital policy states that Nordea Group under normal business conditions should have minimum targets for Common Equity Tier 1 (CET1) capital ratio, Tier 1 capital ratio and the Total capital ratio that exceed the capital requirements received from the competent authorities and, in addition, Nordea will maintain a management buffer.

Minimum capital requirements
Risk exposure amount (REA) is calculated in accordance with the requirements in the Capital Requirements Regulation. Nordea had 72% of the credit risk exposure amount covered by internal rating based (IRB) approach by the end of 2018. Nordea is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major share of the market risk in the trading book. For operational risk the standardised approach is applied.

Internal capital requirement
The ICR is calculated based on a Pillar I equivalent plus add-ons approach and includes a buffer for economic stress. In addition, supervisors require Nordea to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process (SREP).

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 consists mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Capital situation of the financial conglomerate
As Sampo Plc has an owner share of more than 21.3% in Nordea Bank Abp, Nordea is part of the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC.

Capital adequacy ratios

	31 Dec 2018
Common Equity Tier[1] (CET[1]) capital ratio excluding Basel I floor (%)	16,0
Tier 1 ratio excluding Basel I floor (%)	17,9
Capital ratio excluding Basel I floor (%)	20,6
Capital adequacy quotient (Own funds/capital requirement excluding Basel I floor)	2,6
Capital adequacy quotient (Own funds/capital requirement including Basel I floor)	2,6

Summary of items included in own funds

	31 Dec 2018[3]
Calculation of own funds	–
Equity in the consolidated situation	26,869
Proposed/actual dividend	–
Common Equity Tier 1 capital before regulatory adjustments	26,869
Deferred tax assets	–
Intangible assets	–2,331
IRB provisions shortfall (–)	–
Deduction for investments in credit institutions (50%)	–
Pension assets in excess of related liabilities[1]	–116
Other items, net	–363
Total regulatory adjustments to Common Equity Tier 1 capital	–2,810
Common Equity Tier 1 capital (net after deduction)	**24,059**
Additional Tier 1 capital before regulatory adjustments	2,860
Total regulatory adjustments to Additional Tier 1 capital	–11
Additional Tier 1 capital	2,849
Tier 1 capital (net after deduction)	**26,908**
Tier 2 capital before regulatory adjustments	4,960
IRB provisions excess (+)	111
Deduction for investments in credit institutions (50%)	–
Deductions for investments in insurance companies	–1,000
Pension assets in excess of related liabilities	–
Other items, net	–51
Total regulatory adjustments to Tier 2 capital	–940
Tier 2 capital	4,020
Own funds (net after deduction)[2]	**30,928**

1) Based on conditional FSA approval.
2) Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 30,817m by 31 Dec 2018.
3) Including profit of the period.

Common Equity Tier 1 capital: instruments and reserves

		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	5,130	–
	of which: Instrument type 1	4,050	
2	Retained earnings	21,577	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	171	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**26,878**	**–**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		**–**
7	Additional value adjustments (negative amount)	–199	–
8	Intangible assets (net of related tax liability) (negative amount)	–2,331	–
11	Fair value reserves related to gains or losses on cash flow hedges	9	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–173	–
15	Defined-benefit pension fund assets (negative amount)	–116	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–9	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	57
	Of which: ...filter for unrealised loss on AFS debt instruments	–	–51
	Of which: ...filter for unrealised gain on AFS debt instruments	–	108
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–2,819**	**57**
29	**Common Equity Tier 1 (CET1) capital**	**24,059**	**57**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,878	–
31	of which: classified as equity under applicable accounting standards	749	–
32	of which: classified as liabilities under applicable accounting standards	2,128	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,878**	**–**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–29	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–29**	**–**
44	**Additional Tier 1 (AT1) capital**	**2,849**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**26,908**	**–**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	4,973	–
50	Credit risk adjustments	111	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,084**	**–**
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–64	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,000	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,064**	**–**
58	**Tier 2 (T2) capital**	**4,020**	**–**
59	**Total capital (TC = T1 + T2)**	**30,928**	**–**
60	**Total risk weighted assets**	**150,266**	**–**

Common Equity Tier 1 capital: instruments and reserves, cont.

		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
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.0%	–
62	Tier 1 (as a percentage of risk exposure amount)	17.9%	–
63	Total capital (as a percentage of risk exposure amount)	20.6%	–
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)	3.4%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.9%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.5%	–
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)	298	–
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)	796	–
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)	111	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	532	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–

Minimum capital requirement and REA

	31 Dec 2018	
EURm	Minimum Capital requirement	REA
Credit risk	**9,899**	**123,740**
- of which counterparty credit risk	539	6,741
IRB	7,089	88,619
- sovereign	–	–
- corporate	5,359	66,992
- advanced	4,875	60,935
- foundation	484	6,057
- institutions	493	6,164
- retail	1,104	13,803
- secured by immovable property collateral	449	5,617
- other retail	655	8,186
- other	133	1,660
Standardised	2,810	35,121
- central governments or central banks	36	452
- regional governments or local authorities	6	76
- public sector entities	–	–
- multilateral development banks	–	–
- international organisations	–	–
- institutions	1,061	13,259
- corporate	366	4,567
- retail	4	45
- secured by mortgages on immovable properties	1	9
- in default	0	0
- associated with particularly high risk	63	793
- covered bonds	49	617
- institutions and corporates with a short-term credit assessment	–	–
- collective investments undertakings (CIU)	–	–
- equity	1,223	15,285
- other items	1	18
Credit Value Adjustment Risk	**73**	**922**
Market risk	**995**	**12,433**
- trading book, Internal Approach	351	4,387
- trading book, Standardised Approach	87	1,084
- banking book, Standardised Approach	557	6,962
Operational risk	**1,039**	**12,986**
Standardised	1,039	12,986
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	**–**	**–**
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**10**	**123**
Additional risk exposure amount due to Article 3 CRR	**5**	**62**
Total	**12,021**	**150,266**

Leverage ratio

	31 Dec 2018
Tier 1 capital, transitional definition, EURm[1]	26,908
Leverage ratio exposure, EURm	453,689
Leverage ratio, percentage	5.9

1) Including profit of the period

Capital requirements for market risk

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	967	77	665	53	–	–	1,632	130
Equity risk	88	7	371	30	–	–	459	37
Foreign exchange risk	132	11	–	–	6,962	557	7,094	568
Commodity risk	–	–	32	3	–	–	32	3
Settlement risk	–	–	16	1	–	–	16	1
Diversification effect	−464	−37	–	–	–	–	−464	−37
Stressed Value-at-Risk	2,173	174	–	–	–	–	2,173	174
Incremental Risk Measure	1,066	85	–	–	–	–	1,066	85
Comprehensive Risk Measure	425	34	–	–	–	–	425	34
Total	**4,387**	**351**	**1,084**	**87**	**6,962**	**557**	**12,433**	**995**

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR.

Table A3–A5 include disclosure of capital instruments' main features in accordance with Article 3 in Commission implementing regulation (EU) No 1423/2013, where the template in Annex II is used.

Table A3 – Capital instruments' main features template – CET1

	Common equity Tier 1 capital	
1	Issuer	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	FI4000297767
3	Governing law(s) of the instrument	Finnish
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
	Coupons / dividends	
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument						
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
	Regulatory treatment						
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 873m	EUR 435m	EUR 219m	EUR 125m	EUR 480m	EUR 745m
9	Nominal amount of instrument	USD 1,000m / EUR 875m	USD 500m / EUR 437m	SEK 2,250m / EUR 220m	NOK 1,250m / EUR 126m	USD 550m / EUR 481m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Equity
11	Original date of issuance	23 Sep 2014	23 Sep 2014	12 Mar 2015	12 Mar 2015	12 Mar 2015	28 Nov 2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	23 Sep 2019 In addition tax/regulatory call 100 per cent of nominal amount	23 Sep 2024 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/regulatory call 100 per cent of nominal amount	13 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2025 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	23 Mar and 23 Sep each year after first call date	23 Mar and 23 Sep each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date	12 Mar each year after first call date
	Coupons / dividends						
17	Fixed or floating dividend / coupon	Fixed	Fixed	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes

Table A4 – Capital instruments' main features template – AT1, cont.

Additional Tier 1 instrument							
31	If write-down, write-down trigger(s)	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	No	No	No

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 247m (24.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 336m (44.8 per cent of Nominal amount, <5 yrs to maturity)	EUR 516m (47.2 per cent of Nominal amount, <5 yrs to maturity)	EUR 648m (74.1 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,093m	USD 1,000m / EUR 875m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	26 Mar 2010	29 Sep 2010	13 May 2011	21 Sep 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	26 Mar 2020	29 Mar 2021	13 May 2021	21 Sep 2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
Coupons / dividends					
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4,50%	4,00%	4,875%	4,250%
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 166m	EUR 225m	EUR 119m	EUR 747m
9	Nominal amount of instrument	SEK 1,700m / EUR 166m	SEK 2,300m / EUR 225m	JPY 15,000m / EUR 119m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	17 Sep 2015	17 Sep 2015	6 Oct 2015	10 Nov 2015
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	17 Sep 2025	17 Sep 2025	6 Oct 2025	10 Nov 2025
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10 Nov 2020 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar, 17 Jun, 17 Sep and 17 Dec each year after first call date	17 Sep each year after first call date	N/A	10 Nov each year after first call date
Coupons / dividends					
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1,160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1486520403	N/A	N/A	N/A
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 995m	EUR 79m	EUR 159m	EUR 79m
9	Nominal amount of instrument	EUR 1,000m	JPY 10,000m / EUR 79m	JPY 20,000m / EUR 159m	JPY 10,000m / EUR 79m
9a	Issue price	99.391 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	07 Sep 2016	06 Jun 2018	06 Jun 2018	06 Jun 2018
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	07 Sep 2026	26 Feb 2034	04 Mar 2040	12 Oct 2040
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	07 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount	26 Feb 2029 In addition tax/regulatory call 100 per cent of nominal amount	04 Mar 2035 In addition tax/regulatory call 100 per cent of nominal amount	12 Oct 2035 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	7 Sep each year after first call date	26 Feb and 26 Aug each year after first call date	4 Mar and 4 Sep each year after first call date	12 Apr and 12 Oct each year after first call date
Coupons / dividends					
17	Fixed or floating dividend / coupon	Fixed	Fixed to floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +1.1 per cent per annum	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.2 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.2 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments				
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557FAH91/ US65557HAH57	XS1884708238	NO0010833015
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 435m	EUR 171m	EUR 50m
9	Nominal amount of instrument	USD 500m / EUR 437m	SEK 1,750m / EUR 171m	NOK 500m / EUR 50m
9a	Issue price	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	13 Sep 2018	26 Sep 2018	26 Sep 2018
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	13 Sep 2033	26 Sep 2028	26 Sep 2028
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	13 Sep 2028 In addition tax/regulatory call 100 per cent of nominal amount	26 Sep 2023 In addition tax/regulatory call 100 per cent of nominal amount	26 Sep 2023 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	26 Mar, 26 Jun, 26 Sep and 26 Dec each year after first call date	26 Mar, 26 Jun, 26 Sep and 26 Dec each year after first call date
Coupons / dividends				
17	Fixed or floating dividend / coupon	Fixed	Floating	Floating
18	Coupon rate and any related index	Fixed 4.625 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.69 per cent per annum	Floating 3-month STIBOR +1.4 per cent per annum	Floating 3-month NIBOR +1.4 per cent per annum
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No

ANNEX 2
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2017, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Financial statements, Contents

Income statement

EURm	Note	2017	2016
Operating income			
Interest income		7,575	7,747
Interest expense		–2,909	–3,020
Net interest income	**G3**	**4,666**	**4,727**
Fee and commission income		4,232	4,098
Fee and commission expense		–863	–860
Net fee and commission income	**G4**	**3,369**	**3,238**
Net result from items at fair value	G5	1,328	1,715
Profit from associated undertakings accounted for under the equity method	G19	23	112
Other operating income	G6	83	135
Total operating income		**9,469**	**9,927**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–3,212	–2,926
Other expenses	G8	–1,622	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–268	–228
Total operating expenses		**–5,102**	**–4,800**
Profit before loan losses		**4,367**	**5,127**
Net loan losses	G10	–369	–502
Operating profit		**3,998**	**4,625**
Income tax expense	G11	–950	–859
Net profit for the year		**3,048**	**3,766**
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,031	3,766
Non-controlling interests		17	–
Total		**3,048**	**3,766**
Basic earnings per share, EUR	G12	0.75	0.93
Diluted earnings per share, EUR	G12	0.75	0.93

Statement of comprehensive income

EURm	2017	2016
Net profit for the year	**3,048**	**3,766**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–511	438
Tax on currency translation differences during the year	3	–
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	175	–219
Tax on valuation gains/losses during the year	–37	48
Available for sale investments:[1]		
Valuation gains/losses during the year	31	186
Tax on valuation gains/losses during the year	–8	–42
Transferred to the income statement during the year	0	–69
Tax on transfers to the income statement during the year	0	15
Cash flow hedges:		
Valuation gains/losses during the year	–150	–569
Tax on valuation gains/losses during the year	43	147
Transferred to the income statement during the year	43	525
Tax on transfers to the income statement during the year	–19	–137
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–115	–205
Tax on remeasurement of defined benefit plans during the year	25	47
Other comprehensive income, net of tax	**–520**	**165**
Total comprehensive income	**2,528**	**3,931**
Attributable to:		
Shareholders of Nordea Bank AB (publ)	2,511	3,931
Non-controlling interests	17	–
Total	**2,528**	**3,931**

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	31 Dec 2017	31 Dec 2016
Assets			
Cash and balances with central banks		43,081	32,099
Loans to central banks	G13	4,796	11,235
Loans to credit institutions	G13	8,592	9,026
Loans to the public	G13	310,158	317,689
Interest-bearing securities	G14	75,294	87,701
Financial instruments pledged as collateral	G15	6,489	5,108
Shares	G16	17,180	21,524
Assets in pooled schemes and unit-linked investment contracts	G17	25,879	23,102
Derivatives	G18	46,111	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk		163	178
Investments in associated undertakings and joint ventures	G19	1,235	588
Intangible assets	G20	3,983	3,792
Properties and equipment		624	566
Investment properties	G22	1,448	3,119
Deferred tax assets	G11	118	60
Current tax assets		121	288
Retirement benefit assets	G32	250	306
Other assets	G23	12,441	18,973
Prepaid expenses and accrued income	G24	1,463	1,449
Assets held for sale	G42	22,186	8,897
Total assets		**581,612**	**615,659**
Liabilities			
Deposits by credit institutions	G25	39,983	38,136
Deposits and borrowings from the public	G26	172,434	174,028
Deposits in pooled schemes and unit-linked investment contracts	G17	26,333	23,580
Liabilities to policyholders	G27	19,412	41,210
Debt securities in issue	G28	179,114	191,750
Derivatives	G18	42,713	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,450	2,466
Current tax liabilities		389	487
Other liabilities	G29	28,515	24,413
Accrued expenses and prepaid income	G30	1,603	1,758
Deferred tax liabilities	G11	722	830
Provisions	G31	329	306
Retirement benefit liabilities	G32	281	302
Subordinated liabilities	G33	8,987	10,459
Liabilities held for sale	G42	26,031	4,888
Total liabilities		**548,296**	**583,249**
Equity			
Additional Tier 1 capital holders		750	–
Non-controlling interests		168	1
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		–1,543	–1,023
Retained earnings		28,811	28,302
Total equity		**33,316**	**32,410**
Total liabilities and equity		**581,612**	**615,659**
Assets pledged as security for own liabilities	G34	198,973	189,441
Other assets pledged	G35	4,943	8,330
Contingent liabilities	G36	19,020	23,089
Commitments	G37	77,032	79,434

Statement of changes in equity

2017

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)[2]		Other reserves:								
Balance at 1 Jan 2017	**4,050**	**1,080**	**–1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**–**	**1**	**32,410**
Net profit for the year	–	–	–	–	–	–	3,031	3,031	–	17	3,048
Items that may be reclassified subsequently to the income statement											
Currency translation differences during the year	–	–	–511	–	–	–	–	–511	–	–	–511
Tax on currency translation differences during the year	–	–	3	–	–	–	–	3	–	–	3
Hedging of net investments in foreign operations:											
Valuation gains/losses during the year	–	–	175	–	–	–	–	175	–	–	175
Tax on valuation gains/losses during the year	–	–	–37	–	–	–	–	–37	–	–	–37
Available for sale investments:											
Valuation gains/losses during the year	–	–	–	–	31	–	–	31	–	–	31
Tax on valuation gains/losses during the year	–	–	–	–	–8	–	–	–8	–	–	–8
Transferred to the income statement during the year	–	–	–	–	0	–	–	0	–	–	0
Tax on transfers to the income statement during the year	–	–	–	–	0	–	–	0	–	–	0
Cash flow hedges:											
Valuation gains/losses during the year	–	–	–	–150	–	–	–	–150	–	–	–150
Tax on valuation gains/losses during the year	–	–	–	43	–	–	–	43	–	–	43
Transferred to the income statement during the year	–	–	–	43	–	–	–	43	–	–	43
Tax on transfers to the income statement during the year	–	–	–	–19	–	–	–	–19	–	–	–19
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–115	–	–115	–	–	–115
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	25	–	25	–	–	25
Other comprehensive income, net of tax	**–**	**–**	**–370**	**–83**	**23**	**–90**	**–**	**–520**	**–**	**–**	**–520**
Total comprehensive income	**–**	**–**	**–370**	**–83**	**23**	**–90**	**3,031**	**2,511**	**–**	**17**	**2,528**
Issuance of additional Tier 1 capital	–	–	–	–	–	–	–6	–6	750	–	744
Dividend for 2016	–	–	–	–	–	–	–2,625	–2,625	–	–	–2,625
Purchase of own shares[3]	–	–	–	–	–	–	–12	–12	–	–	–12
Change in non-controlling interests[4]	–	–	–	–	–	–	121	121	–	150	271
Balance at 31 Dec 2017	**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**28,811**	**32,398**	**750**	**168**	**33,316**

1) Total shares registered were 4,050 million.
2) Restricted equity was at 31 December 2017 EUR 5,454m, which consists of share capital was EUR 4,050m, equity method reserve was EUR 169m and development cost reserves EUR 1,235m. Equity method reserve and development costs reserve are recognised in retained earnings. Unrestricted equity was at 31 December 2017 EUR 26,944m.
3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP were 10.2 million.
4) Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.

Statement of changes in equity, Nordea Group, cont.

2016

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)[2]		Other reserves:							
Balance at 1 Jan 2016	**4,050**	**1,080**	**–1,617**	**71**	**–10**	**368**	**27,089**	**31,031**	**1**	**31,032**
Net profit for the year	–	–	–	–	–	–	3,766	3,766	–	3,766
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	438	–	–	–	–	438	–	438
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	–219	–	–	–	–	–219	–	–219
Tax on valuation gains/losses during the year	–	–	48	–	–	–	–	48	–	48
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	186	–	–	186	–	186
Tax on valuation gains/losses during the year	–	–	–	–	–42	–	–	–42	–	–42
Transferred to the income statement during the year	–	–	–	–	–69	–	–	–69	–	–69
Tax on transfers to the income statement during the year	–	–	–	–	15	–	–	15	–	15
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	–569	–	–	–	–569	–	–569
Tax on valuation gains/losses during the year	–	–	–	147	–	–	–	147	–	147
Transferred to the income statement during the year	–	–	–	525	–	–	–	525	–	525
Tax on transfers to the income statement during the year	–	–	–	–137	–	–	–	–137	–	–137
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–205	–	–205	–	–205
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	47	–	47	–	47
Other comprehensive income, net of tax	**–**	**–**	**267**	**–34**	**90**	**–158**	**–**	**165**	**–**	**165**
Total comprehensive income	**–**	**–**	**267**	**–34**	**90**	**–158**	**3,766**	**3,931**	**–**	**3,931**
Dividend for 2015	–	–	–	–	–	–	–2,584	–2,584	–	–2,584
Divestment of own shares[3]	–	–	–	–	–	–	31	31	–	31
Balance at 31 Dec 2016	**4,050**	**1,080**	**–1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**

1) Total shares registered were 4,050 million.
2) Restricted equity was at 31 December 2016 EUR 4,889m, which consists of share capital was EUR 4,050m, equity method reserve was EUR 240m and development cost reserves EUR 599m. Equity method reserve and development costs reserve are recognised in retained earnings. Unrestricted equity was at 31 December 2016 EUR 27,520m.
3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.3 million. The total holdings of own shares related to LTIP were 10.9 million.

Cash flow statement

EURm	2017	2016
Operating activities		
Operating profit	3,998	4,625
Adjustment for items not included in cash flow	3,514	3,892
Income taxes paid	−950	−952
Cash flow from operating activities before changes in operating assets and liabilities	**6,562**	**7,565**
Changes in operating assets		
Change in loans to central banks	−190	7,824
Change in loans to credit institutions	136	689
Change in loans to the public	7,541	14,357
Change in interest-bearing securities	4,305	−154
Change in financial assets pledged as collateral	−2,915	3,233
Change in shares	−5,801	488
Change in derivatives, net	−4,816	−751
Change in investment properties	−171	−174
Change in other assets	2,890	−3,217
Changes in operating liabilities		
Change in deposits by credit institutions	9,423	−6,482
Change in deposits and borrowings from the public	−1,681	−9,686
Change in liabilities to policyholders	2,163	2,602
Change in debt securities in issue	−8,373	−7,357
Change in other liabilities	3,201	−5,657
Cash flow from operating activities	**12,274**	**3,280**
Investing activities		
Sale of business operations	228	–
Investments in associated undertakings and joint ventures	−957	−5
Sale of associated undertakings and joint ventures	20	134
Acquisition of property and equipment	−129	−124
Sale of property and equipment	11	20
Acquisition of intangible assets	−685	−658
Sale of intangible assets	42	1
Net divestments in debt securities, held to maturity	−8	−360
Sale of other financial fixed assets	−21	58
Cash flow from investing activities	**−1,499**	**−934**
Financing activities		
Issued subordinated liabilities	–	1,000
Issued Additional Tier 1 capital	750	–
Amortised subordinated liabilities	−750	–
Divestment of own shares including change in trading portfolio	−12	31
Dividend paid	−2,625	−2,584
Cash flow from financing activities	**−2,637**	**−1,553**
Cash flow for the year	**8,138**	**793**
Cash and cash equivalents at the beginning of year	41,860	40,200
Translation difference	−3,785	867
Cash and cash equivalents at the end of year	46,213	41,860
Change	**8,138**	**793**

Cash flow statement, Nordea Group, 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'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 cash flow includes:

EURm	2017	2016
Depreciation	263	221
Impairment charges	5	7
Loan losses	422	560
Unrealised gains/losses	2,387	–2
Capital gains/losses (net)	–47	–72
Change in accruals and provisions	–182	126
Translation differences	–625	919
Change in bonus potential to policyholders, Life	58	–115
Change in technical reserves, Life	2,056	2,491
Change in fair value of hedged items, assets/liabilities (net)	–957	–92
Other	134	–151
Total	**3,514**	**3,892**

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

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

EURm	2017	2016
Interest payments received	7,748	7,649
Interest expenses paid	–3,475	–3,198

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2017	31 Dec 2016
Cash and balances with central banks	43,081	32,099
Loans to central banks, payable on demand	2,004	8,538
Loans to credit institutions, payable on demand	779	1,093
Assets held for sale	349	130
Total	**46,213**	**41,860**

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.

Reconciliation of liabilities arising from financing activities

The opening balance of subordinated liabilities was EUR 10,459m. During the period cash flow related to bonds were EUR –750m and the effects of FX changes and other was EUR –722m ending up to a closing balance of EUR 8,987m.

Quarterly development

EURm	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2017	2016
Net interest income	1,109	1,185	1,175	1,197	1,209	1,178	1,172	1,168	4,666	4,727
Net fee and commission income	839	814	850	866	867	795	804	772	3,369	3,238
Net result from items at fair value	235	357	361	375	498	480	405	332	1,328	1,715
Profit from associated undertakings accounted for under the equity method	16	3	0	4	4	−2	101	9	23	112
Other operating income	29	14	21	19	32	15	74	14	83	135
Total operating income	**2,228**	**2,373**	**2,407**	**2,461**	**2,610**	**2,466**	**2,556**	**2,295**	**9,469**	**9,927**
General administrative expenses:										
Staff costs	−861	−757	−795	−799	−687	−743	−756	−740	−3,212	−2,926
Other expenses	−425	−377	−433	−387	−475	−389	−396	−386	−1,622	−1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	−75	−70	−63	−60	−71	−51	−54	−52	−268	−228
Total operating expenses	**−1,361**	**−1,204**	**−1,291**	**−1,246**	**−1,233**	**−1,183**	**−1,206**	**−1,178**	**−5,102**	**−4,800**
Profit before loan losses	**867**	**1,169**	**1,116**	**1,215**	**1,377**	**1,283**	**1,350**	**1,117**	**4,367**	**5,127**
Net loan losses	−71	−79	−106	−113	−129	−135	−127	−111	−369	−502
Operating profit	**796**	**1,090**	**1,010**	**1,102**	**1,248**	**1,148**	**1,223**	**1,006**	**3,998**	**4,625**
Income tax expense	−167	−258	−267	−258	−148	−260	−227	−224	−950	−859
Net profit for the year	**629**	**832**	**743**	**844**	**1,100**	**888**	**996**	**782**	**3,048**	**3,766**
Diluted earnings per share (DEPS), EUR	0.15	0.21	0.18	0.21	0.27	0.22	0.25	0.19	0.75	0.93
DEPS, rolling 12 months up to period end, EUR	0.75	0.87	0.88	0.95	0.93	0.87	0.84	0.83	0.75	0.93

5 year overview

Income statement

EURm	2017	2016	2015	2014	2013
Net interest income	4,666	4,727	4,963	5,349	5,525
Net fee and commission income	3,369	3,238	3,230	3,017	2,642
Net result from items at fair value	1,328	1,715	1,645	1,383	1,539
Profit from associated undertakings accounted for under the equity method	23	112	39	18	79
Other operating income	83	135	263	474	106
Total operating income	**9,469**	**9,927**	**10,140**	**10,241**	**9,891**
General administrative expenses:					
Staff costs	-3,212	–2,926	–3,263	–3,159	–2,978
Other expenses	-1,622	–1,646	–1,485	–1,656	–1,835
Depreciation, amortisation and impairment charges of tangible and intangible assets	-268	–228	–209	–585	–227
Total operating expenses	**-5,102**	**–4,800**	**–4,957**	**–5,400**	**–5,040**
Profit before loan losses	**4,367**	**5,127**	**5,183**	**4,841**	**4,851**
Net loan losses	-369	–502	–479	–534	–735
Operating profit	**3,998**	**4,625**	**4,704**	**4,307**	**4,116**
Income tax expense	-950	–859	–1,042	–950	–1,009
Net profit for the year from continuing operations	**3,048**	**3,766**	**3,662**	**3,357**	**3,107**
Net profit for the year from discontinued operations, after tax	–	–	–	–25	9
Net profit for the year	**3,048**	**3,766**	**3,662**	**3,332**	**3,116**

Balance sheet

EURm	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Cash and balances with central banks	43,081	32,099	35,500	31,067	33,529
Loans to central banks and credit institutions	13,388	20,261	23,986	19,054	22,512
Loans to the public	310,158	317,689	340,920	348,085	342,451
Interest-bearing securities and pledged instruments	81,783	92,809	94,876	97,817	96,889
Assets in pooled schemes and unit-linked investment contracts	25,879	23,102	20,434	17,442	–
Derivatives	46,111	69,959	80,741	105,119	70,992
Other assets	39,026	50,843	50,411	50,758	55,166
Assets held for sale	22,186	8,897	–	–	8,895
Total assets	**581,612**	**615,659**	**646,868**	**669,342**	**630,434**
Deposits by credit institutions	39,983	38,136	44,209	56,322	59,090
Deposits and borrowings from the public	172,434	174,028	189,049	192,967	200,743
Deposits in pooled schemes and unit-linked investment contracts	26,333	23,580	21,088	18,099	–
Liabilities to policyholders	19,412	41,210	38,707	38,031	47,226
Debt securities in issue	179,114	191,750	201,937	194,274	185,602
Derivatives	42,713	68,636	79,505	97,340	65,924
Subordinated liabilities	8,987	10,459	9,200	7,942	6,545
Other liabilities	33,289	30,562	32,141	34,530	31,897
Liabilities held for sale	26,031	4,888	–	–	4,198
Equity	33,316	32,410	31,032	29,837	29,209
Total liabilities and equity	**581,612**	**615,659**	**646,868**	**669,342**	**630,434**

Ratios and key figures[1]

	2017	2016	2015	2014	2013
Basic earnings per share, EUR	0.75	0.93	0.91	0.83	0.77
Diluted earnings per share, EUR	0.75	0.93	0.91	0.83	0.77
Share price[2], EUR	10.09	10.60	10.15	9.68	9.78
Total shareholders' return, %	3.6	16.3	8.2	9.2	44.6
Proposed/actual dividend per share, EUR	0.68	0.65	0.64	0.62	0.43
Equity per share[2], EUR	8.21	8.03	7.69	7.40	7.27
Potential shares outstanding[2], million	4,050	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	4,039	4,037	4,031	4,031	4,020
Return on equity, %	9.5	12.3	12.2	11.4	11.0
Assets under management[2], EURbn	330.4	322.7	288.2	262.2	232.1
Cost/income ratio[3], %	54	50	47	49	51
Loan loss ratio, basis points[4]	12	15	14	15	21
Common Equity Tier 1 capital ratio excluding Basel I floor[2,5,6] ,%	19.5	18.4	16.5	15.7	14.9
Tier 1 capital ratio, excluding Basel I floor[2,5,6], %	22.3	20.7	18.5	17.6	15.7
Total capital ratio, excluding Basel I floor[2,5,6], %	25.2	24.7	21.6	20.6	18.1
Tier 1 capital[2,5,6], EURbn	28.0	27.6	26.5	25.6	24.4
Risk exposure amount, excluding Basel I floor[2,5,6], EURbn	126	133	143	146	155
Number of employees (full-time equivalents)[2]	30,399	31,596	29,815	29,643	29,429
Economic capital[2,5], EURbn – Total operations	26.7	26.3	25.0	24.3	23.5
ROCAR[3],%	11.1	13.4	14.8	14.0	13.7

1) Fore more information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/. All key ratios reflect Nordea´s continuing operations.
2) End of the year.
3) Excluding items affecting comparability in 2016, 2015 and 2014.
4) In 2016 the ratio is including Loans to the public reported as assets held for sale.
5) Since 2014 ratios are reported using the Basel III (CRR/CRDIV) framework.
6) Including result for the period.

Glossary

Allowances in relation to impaired loans
Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

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

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

Diluted earnings per share
Net profit for the year divided by the weighted average number of outstanding shares after full dilution, non-controlling interests excluded.

Economic capital (EC)
Economic Capital is Nordea's interal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business risk and Life Insurance Risk arising from activities in Nordea's various business areas.

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

Equity per share
Equity as shown on the balance sheet after full dilution and non-controlling interests excluded divided by the number of shares after full dilution.

Impairment rate, gross
Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net
Individually assessed impaired loans after allowances divided by total loans before allowances.

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

Non-servicing, not impaired
Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Own funds
Own funds include the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the carrying amount of the shares in wholly owned insurance companies and the potential deduction for expected shortfall.

Price to Book
Nordea's stock market value relative to its book value of total equity.

Return on equity
Net profit for the year as a percentage of average equity for the year. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for ther period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity including net profit for the year and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on assets
Net profit for the year as a percentage of total assets at end of the year.

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

ROCAR, % (Return on capital at risk)
Net profit excluding items affecting comparability, in percentage of Economic Capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic capital.

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

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

Total allowance rate
Total allowances divided by total loans before allowances.

Total allowances in relation to imparied loans (provisioning ratio)
Total allowances divided by impaired loans before allowances.

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

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

G1. Accounting policies

Content for Note G1

1. Basis for presentation
Nordea'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 Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied.

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

On 6 February 2018 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 15 March 2018.

2. Changed accounting policies and presentation
The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2016 Annual Report. The new accounting requirements implemented during 2017 and their effects on Nordea's financial statements are described below.

The following new and amended standards and interpretations were implemented by Nordea 1 January 2017 but have not had any significant impact on the financial statements of Nordea:

- Amendment to IAS 12: "Recognition of Deferred Tax Assets for "Unrealised Losses"
- Amendments to IAS 7: "Disclosure Initiative"

Amendments have in addition been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) which were implemented by Nordea 1 January 2017. These amendments have not had any significant impact on Nordea's financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups - January 2017". These changes were implemented by Nordea 1 January 2017 but have not had any significant impact on Nordea´s financial statements.

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 hedge accounting 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. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea has not early adopted the standard. Nordea does not either intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

See Note G49 "IFRS 9" for more information on the impact from IFRS 9.

Classification and measurement
The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes

G1. Accounting policies, cont.

compared to how the financial instruments are measured under IAS 39. The new requirements will not have any significant impact on the capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including 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 financial instruments classified into the measurement category AFS.

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 increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. 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.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. For assets held at transition, Nordea has decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2.

Nordea's current model for calculating collective provisions defines a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 will require several notches deterioration.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

For assets where there has been a significant increase 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.

When calculating lifetime losses under IFRS 9, including the staging assessment, the calculation will be based on probability weighted forward looking information. Nordea has decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario are recognised as provisions.

The quantitative impact from the new impairment requirements on total allowances and provisions for on- and off-balance exposures, including debt instruments accounted for at fair value through other comprehensive income (FVOCI), is an increase of EUR 203m. Equity is reduced by EUR 183m including the expected impact from companies accounted for under the equity method. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, is insignificant. Nordea will not apply the transitional rules issued by the EU allowing a phase in of the impact on Common Equity Tier 1 capital. There is no material impact to large exposures.

Impairment calculations under IFRS 9 will require more experienced credit judgement by the reporting entities than is required by IAS 39 today and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios.

Hedge accounting

The main change to the general hedge accounting 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, large exposures, risk management or alternative performance measures in the period of initial application. Nordea will continue to use the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The standard does not apply to financial instruments, insurance contracts or lease contracts. The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard and its clarifications have been endorsed by the EU-commission. Nordea has not early adopted the standard.

The standard will be implemented using the modified retrospective approach, meaning that the cumulative effect of the change will be recognised as an adjustment to equity in the opening balance 2018. Comparable figures for 2017 are not restated.

The new standard will have an impact on Nordea's accounting policies for loan origination fees, as such fees will be amortised as part of the effective interest of the underlying exposures to a larger extent than today. An opening balance adjustment amounting to EUR -79m pre-tax, recognised directly in equity (after tax), will be recognised at transition 1 January 2018. IFRS 15 will consequently not have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those

G1. Accounting policies, cont.

standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

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 term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and 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 and earlier application is permitted. The standard was endorsed by the EU-commission in 2017. Nordea does not intend to early adopt the standard.

The main impact on Nordea's financial statements is expected to come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. No significant impact is currently expected on the income statement or equity, although the presentation is expected to change in the income statement. It is too early to comment on the impact on large exposures and capital adequacy as the relevant requirements are not yet final.

IFRS 17 "Insurance contracts"

The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash-flows, risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II capital requirement directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognized in the income statement at the time when the contract is signed and approved.

The new standard is effective for the annual period beginning on or after 1 January 2021 and earlier application is permitted. The standard is not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

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 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendments to IFRS 2: "Classification and Measurement of Share based Payment Transactions
- Amendments to IAS 40: "Transfers of Investment Property"
- Amendments to IFRS 9: "Prepayment Features with Negative Compensation"
- Amendments to IAS 28: "Long-term Interest in Associates and Joint Ventures"
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- Annual Improvements to IFRS Standards 2015-2017 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 reportingperiod, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  - goodwill and
  - loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the classification of leases
- the classification of additional tier 1 instruments
- assessing control for consolidation purposes
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G40 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are 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 are observable.

G1. Accounting policies, cont.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. 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 189,157m (EUR 208,371m) and EUR 141,819m (EUR 129,441m) 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 G40 "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 goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 1,994m (EUR 2,247m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (generally 3-5 years) and to the estimated sector growth rate for the period beyond 3-5 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note G20 "Intangible assets".

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea's total lending before impairment allowances was EUR 325,879m (EUR 340,376m) at the end of the year. For more information, see Note G13 "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 10 "Hedge accounting".

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

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

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 23 "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 Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,454m (EUR 3,434m) at the end of the year.

Actuarial calculations of insurance contracts

Nordea's accounting policy for insurance contracts is described in section 19 "Liabilities to policyholders".

A valuation of insurance liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Important actuarial assumptions are those on mortality and disability, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

The insurance liability was EUR 15,931m (EUR 37,682m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policies for investment properties are described in section 18 "Investment properties".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents,

G1. Accounting policies, cont.

vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment properties were EUR 1,448m (EUR 3,119m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases

Nordea's accounting policies for leases are described in section 15 "Leasing".

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease 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. The carrying amount of these properties at the time of disposal was EUR 1.5bn.

More information on lease contracts can be found in Note G21 "Leasing".

Classification of additional tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of 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 Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

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.

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.

Judgement also has to be exercised when assessing if a holding of a significant, but less than majority, share of voting rights constitute a so called de facto control and to what extent potential voting rights need to be considered in the control assessment. Nordea's assessment is that Nordea does currently not control any entities where the share of voting rights is below 50%.

Translation of assets and liabilities denominated in foreign currencies

Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 9 "Translation of assets and liabilities denominated in foreign currencies".

When reporting consolidated financial statements, the parent company Nordea Bank AB (publ) has been assessed to have two functional currencies, SEK and EUR, based on the different activities. The functional currency of the normal banking operations is SEK and the functional currency of the entity holding equity, shares in group undertakings and the funding of those shares is EUR. It is Nordea's assessment that one legal entity can consist of different entities with different functional currencies.

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G11 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation. The carrying amount of deferred tax assets was EUR 118m (EUR 60m) at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G31 "Provisions" and Note G36 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank AB (publ), and those entities that the parent company controls. Control exists when Nordea 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, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

G1. Accounting policies, cont.

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

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

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

Note P20 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures
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 or joint control over those policies.

The equity method of accounting is also used for joint ventures where Nordea has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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 or joint ventures. Other transactions between Nordea and its associated undertaking or joint ventures are not eliminated.

Note G19 "Investments in associated undertakings and joint ventures" lists the major associated undertakings in the Nordea 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 G47 "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 AB (publ). The current method is used when translating the financial statements of foreign entities into EUR from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statement and statement of comprehensive income are translated at the average exchange rate for the year. 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.

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

Information on the most important exchange rates is disclosed in the separate section 29 "Exchange rates".

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

G1. Accounting policies, cont.

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

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

Net fee and commission income

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

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

Income from issued financial guarantees and expenses from bought financial guarantees, 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 and investment properties 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 and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

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

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

"Net result from items at fair value" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. However, the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment of securities held as financial non-current assets" (see also the sub-sections "Net loan losses" and "Impairment of securities held as financial non-current assets" below).

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

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

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

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

The change in Nordea's share of the net assets is generally based on monthly reporting from the associated undertakings. For some associated undertakings and joint ventures not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated undertakings and the joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and the joint ventures is, if applicable, adjusted to comply with Nordea's accounting policies.

Other operating income

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

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance

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sheet, are reported as "Net loan losses" together with losses from financial guarantees. Also the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies for the calculation of impairment losses on loans can be found in section 14 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but 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 and joint ventures are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders". The total income from life insurance mainly consists of the following components:

- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income", together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life insurance" within Note G5 "Net result from items at fair value".

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as Health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G5 "Net result from items at fair value". The policyholder's part of the result is included in the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 "Net result from items at fair value" as for any other investment in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders capital in the Nordea Life & Pensions group).
The note line "Change in technical provisions, Life insurance" in Note G5 "Net result from items at fair value" includes:

- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

The note line "Change in collective bonus potential, Life insurance" in Note G5 "Net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "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

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when the counterpart has performed by e.g. repaying a loan to Nordea, i.e. on settlement date.

Loans where cash flows are modified or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

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 derecognised and a liability is recognized as "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 13 "Financial instruments", as well as Note G43 "Transferred assets and obtained collaterals".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies (in addition to the functional currencies of the branches), SEK and EUR for reporting in consolidated accounts, based on the different activities in the underlying business.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

10. Hedge accounting

Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and 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

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

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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 and when hedging interest rate risk in lending with floating interest rates.

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. When hedging the interest rate risk in lending with floating interest rates Nordea uses interest rate swaps as hedging instruments, which are always held at fair value.

Hedges of net investments
See separate section 9 "Translation of assets and liabilities denominated in foreign currencies".

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

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

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

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

Fair value is defined as the 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.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

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

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

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

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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 G40 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

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

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

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

For further information, see Note G40 "Assets and liabilities at fair value".

12. 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 or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time

13. Financial instruments
Classification of financial instruments

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

Financial assets:

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

Financial liabilities:

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

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note G39 "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 Market lending in reverse repurchase agreements and borrowing in repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are mortgage loans and related issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and interest-bearing securities, shares and investment contracts in Nordea Life & Pensions.

Assets and liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. If the loans and bonds were measured at amortised cost such buy-backs of bonds would give rise to an accounting mismatch as any gains or losses would have to be recognised immediately in the income statement. If such bonds are subsequently sold in the market any premium or discount would be amortised over the expected maturity, which would also create an accounting mismatch. To avoid such an accounting mismatch Nordea measures both the loans and bonds at fair value through profit or loss.

Interest-bearing securities, shares and investment contracts (defined in section 19 "Liabilities to policyholders") in Nordea Life & Pensions are generally also classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. This applies also to assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), which are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets held under so called "pooled schemes", which is a product similar to unit-linked insurance, are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits that are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss.

Nordea also applies the fair value option on certain financial assets and financial liabilities related to Markets. The

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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. Nordea also applies the fair value option on issued structured bonds in Markets as these instruments includes embedded derivatives not closely related to the host contract.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 "Loans to the public/ credit institutions".

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

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

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 14 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-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 Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

For index-linked bonds issued by Markets Nordea applies the fair value option 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" and presented as "Debt securities in issue" on the balance sheet.

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

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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.

Exchanged 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.

14. Loans to the public/credit institutions
Financial instruments classified as "Loans to the public/credit institutions" (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 8 "Recognition and derecognition of financial instruments on the balance sheet" as well as Note G39 "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

G1. Accounting policies, cont.

impaired the measurement of the impairment loss is made on an individual basis.

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

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

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

Discount rate

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

Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as 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 13 "Financial instruments") and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line "Net result from items at fair value".

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

15. Leasing

Nordea as lessor

Finance leases

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

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as 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.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

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

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased properties. In addition, the lease term is not for the major part of

G1. Accounting policies, cont.

the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is amortised using the effective interest method which differs from the straight-line basis and better resembles an ordinary rental arrangement.

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

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

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately, but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software
Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licenses not related to the function of a tangible asset.

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

Customer related intangible assets
In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment
Goodwill and IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G20 "Intangible assets" for more information on the impairment testing.

17. 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. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

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

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

G1. Accounting policies, cont.

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (Collective bonus potential) are classified as liabilities on the balance sheet.
Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

G1. Accounting policies, cont.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB (publ) by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

23. 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 26 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. 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 in Denmark, but also plans in other countries, 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 finan-

G1. Accounting policies, cont.

cial assumptions (as disclosed in Note G32 "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.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

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. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

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

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

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

24. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

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

Share premium reserve

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

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges, 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, Nordea's share of the earnings in associated undertakings and joint ventures, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

25. 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 "Commitments".

26. 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

G1. Accounting policies, cont.

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, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G7 "Staff costs".

Cash-settled programmes
Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, 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 G7 "Staff costs".

27. Related party transactions
Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings and joint ventures
- 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 G7 "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 Nordea but do not control those policies.

Group undertakings
For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P20 "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 and joint ventures
For the definition of associated undertakings and joint ventures, see section 5 "Principles of consolidation".
Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G19 "Investments in associated undertakings and joint ventures".

Key management personnel
Key management personnel includes the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties
Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

28. Presentation of disposal groups held for sale
Assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" respectively as from the classification date. Financial instruments continue to be measured under IAS 39, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

29. Exchange rates

	Jan–Dec 2017	Jan–Dec 2016
EUR 1 = SEK		
Income statement (average)	9.6378	9.4675
Balance sheet (at end of year)	9.8438	9.5525
EUR 1 = DKK		
Income statement (average)	7.4387	7.4453
Balance sheet (at end of year)	7.4449	7.4344
EUR 1 = NOK		
Income statement (average)	9.3317	9.2943
Balance sheet (at end of year)	9.8403	9.0863
EUR 1 = RUB		
Income statement (average)	65.9190	74.1913
Balance sheet (at end of year)	69.3920	64.3000

G2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Compared with the 2016 Annual Report changes in the basis of segmentation were made following the decision to move Baltic operations out of Personal Banking and to move Treasury out of Group Corporate Centre. The Baltic operations are as from the fourth quarter reported as part of Other operating segments and Group Finance & Treasury is reported as a separate reportable operating segment instead of Group Corporate Centre. As from the fourth quarter the changes are reflected in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G2. Comparative figures have been restated accordingly.

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with further breakdown on operating segments, and for the operating segment Group Finance & Treasury. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Commercial Banking service large corporate customers and Business Banking service small and medium-sized corporate customers. Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management.

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. Nordea Bank Russia offers a full range of bank services to corporate and private customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions which is not allocated to the main business areas.

Group Finance & Treasury's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance and Treasury originates from Group Treasury & ALM.

G2. Segment reporting, cont.

Income statement 2017

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Finance & Treasury	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,100	1,137	749	106	476	130	4,698	–32	4,666
Net fee and commission income	1,198	549	575	1,679	–10	28	4,019	–650	3,369
Net result from items at fair value	65	241	625	301	84	11	1,327	1	1,328
Profit from associated undertakings accounted for under the equity method	1	13	0	0	0	1	15	8	23
Other income	7	32	5	18	1	6	69	14	83
Total operating income	**3,371**	**1,972**	**1,954**	**2,104**	**551**	**176**	**10,128**	**–659**	**9,469**
- of which internal transactions[1]	–640	–373	–438	–29	1,489	–9	0	–	–
Staff costs	–812	–516	–620	–523	–100	–47	–2,618	–594	–3,212
Other expenses	–926	–651	–292	–398	–44	–100	–2,411	789	–1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	–112	–14	–22	–19	0	0	–167	–101	–268
Total operating expenses	**–1,850**	**–1,181**	**–934**	**–940**	**–144**	**–147**	**–5,196**	**94**	**–5,102**
Profit before loan losses	**1,521**	**791**	**1,020**	**1,164**	**407**	**29**	**4,932**	**–565**	**4,367**
Net loan losses	–39	–88	–235	1	0	–11	–372	3	–369
Operating profit	**1,482**	**703**	**785**	**1,165**	**407**	**18**	**4,560**	**–562**	**3,998**
Income tax expense	–356	–169	–189	–280	–97	–4	–1,095	145	–950
Net profit for the year	**1,126**	**534**	**596**	**885**	**310**	**14**	**3,465**	**–417**	**3,048**

Balance sheet 31 Dec 2017, EURbn									
Loans to the public[2]	141	81	50	10	–	2	284	26	310
Deposits and borrowings from the public[2]	68	39	41	12	–	2	162	10	172

Income statement 2016

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Finance & Treasury	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	1,955	1,115	846	110	504	164	4,694	33	4,727
Net fee and commission income	1,143	503	624	1,516	–16	37	3,807	–569	3,238
Net result from items at fair value	77	278	806	363	227	17	1,768	–53	1,715
Profit from associated undertakings accounted for under the equity method	0	13	0	0	–2	97	108	4	112
Other income	4	20	1	13	1	89	128	7	135
Total operating income	**3,179**	**1,929**	**2,277**	**2,002**	**714**	**404**	**10,505**	**–578**	**9,927**
- of which internal transactions[1]	–722	–405	–395	–28	1,550	0	0	–	–
Staff costs	–804	–472	–622	–502	–101	55	–2,446	–480	–2,926
Other expenses	–881	–634	–320	–330	–36	–128	–2,329	683	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	–87	–20	–20	–19	0	–2	–148	–80	–228
Total operating expenses	**–1,772**	**–1,126**	**–962**	**–851**	**–137**	**–75**	**–4,923**	**123**	**–4,800**
Profit before loan losses	**1,407**	**803**	**1,315**	**1,151**	**577**	**329**	**5,582**	**–455**	**5,127**
Net loan losses	–38	–163	–281	0	0	–21	–503	1	–502
Operating profit	**1,369**	**640**	**1,034**	**1,151**	**577**	**308**	**5,079**	**–454**	**4,625**
Income tax expense	–315	–147	–238	–265	–169	–71	–1,205	346	–859
Net profit for the year	**1,054**	**493**	**796**	**886**	**408**	**237**	**3,874**	**–108**	**3,766**

Balance sheet 31 Dec 2016, EURbn									
Loans to the public[2]	139	79	54	11	–	13	296	22	318
Deposits and borrowings from the public[2]	67	39	42	13	–	13	174	0	174

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined inter-segment revenues as interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

2) The volumes are only disclosed separate for operating segments if separately reported to the Chief Operating Decision Maker.

G2. Segment reporting, cont.

Break-down of Personal Banking

Income statement, EURm	Personal Banking Denmark 2017	Personal Banking Denmark 2016	Personal Banking Finland 2017	Personal Banking Finland 2016	Personal Banking Norway 2017	Personal Banking Norway 2016	Personal Banking Sweden 2017	Personal Banking Sweden 2016	Personal Banking Other[1] 2017	Personal Banking Other[1] 2016	Total Personal Banking 2017	Total Personal Banking 2016
Net interest income	615	632	389	384	379	319	730	682	–13	–62	2,100	1,955
Net fee and commission income	491	463	396	375	134	127	475	443	–298	–265	1,198	1,143
Net result from items at fair value	17	16	21	27	12	14	26	35	–11	–15	65	77
Profit from associated undertakings accounted for under the equity method	0	0	0	0	0	0	0	0	1	0	1	0
Other income	–2	–2	4	0	1	2	1	1	3	3	7	4
Total operating income	**1,121**	**1,109**	**810**	**786**	**526**	**462**	**1,232**	**1,161**	**–318**	**–339**	**3,371**	**3,179**
- of which internal transactions	–132	–129	–98	–101	–218	–233	–153	–174	–39	–85	–640	–722
Staff costs	–202	–209	–152	–145	–85	–86	–165	–166	–208	–198	–812	–804
Other expenses	–467	–471	–307	–316	–166	–168	–404	–394	418	468	–926	–881
Depreciation, amortisation and impairment charges of tangible and intangible assets	–14	–12	–7	–8	–3	–4	–5	–8	–83	–55	–112	–87
Total operating expenses	**–683**	**–692**	**–466**	**–469**	**–254**	**–258**	**–574**	**–568**	**127**	**215**	**–1,850**	**–1,772**
Profit before loan losses	**438**	**417**	**344**	**317**	**272**	**204**	**658**	**593**	**–191**	**–124**	**1,521**	**1,407**
Net loan losses	–4	–1	–7	–13	–4	–5	–11	–9	–13	–10	–39	–38
Operating profit	**434**	**416**	**337**	**304**	**268**	**199**	**647**	**584**	**–204**	**–134**	**1,482**	**1,369**
Income tax expense	–104	–96	–81	–70	–64	–46	–155	–135	48	32	–356	–315
Net profit for the year	**330**	**320**	**256**	**234**	**204**	**153**	**492**	**449**	**–156**	**–102**	**1,126**	**1,054**
Balance sheet 31 Dec, EURbn												
Loans to the public	39	39	32	31	30	29	45	45	–5	–5	141	139
Deposits and borrowings from the public	19	19	21	21	9	9	23	22	–4	–4	68	67

1) Personal Banking Other includes the areas COO, Products and HR.

Break-down of Commercial & Business Banking

Income statement, EURm	Business Banking 2017	Business Banking 2016	Commercial Banking 2017	Commercial Banking 2016	Commercial & Business Banking Other[1] 2017	Commercial & Business Banking Other[1] 2016	Total Commercial & Business Banking 2017	Total Commercial & Business Banking 2016
Net interest income	621	613	527	488	–11	14	1,137	1,115
Net fee and commission income	417	393	323	295	–191	–185	549	503
Net result from items at fair value	78	83	203	232	–40	–37	241	278
Profit from associated undertakings accounted for under the equity method	0	0	9	8	4	5	13	13
Other income	0	0	11	1	21	19	32	20
Total operating income	**1,116**	**1,089**	**1,073**	**1,024**	**–217**	**–184**	**1,972**	**1,929**
- of which internal transactions	–109	–121	–280	–305	16	21	–373	–405
Staff costs	–156	–157	–97	–107	–263	–208	–516	–472
Other expenses	–493	–483	–454	–426	296	275	–651	–634
Depreciation, amortisation and impairment charges of tangible and intangible assets	–4	–5	–2	–3	–8	–12	–14	–20
Total operating expenses	**–653**	**–645**	**–553**	**–536**	**25**	**55**	**–1,181**	**–1,126**
Profit before loan losses	**463**	**444**	**520**	**488**	**–192**	**–129**	**791**	**803**
Net loan losses	8	–87	–90	–71	–6	–5	–88	–163
Operating profit	**471**	**357**	**430**	**417**	**–198**	**–134**	**703**	**640**
Income tax expense	–113	–82	–103	–96	47	31	–169	–147
Net profit for the year	**358**	**275**	**327**	**321**	**–151**	**–103**	**534**	**493**
Balance sheet 31 Dec, EURbn								
Loans to the public	37	37	45	44	–1	–2	81	79
Deposits and borrowings from the public	23	23	19	19	–3	–3	39	39

1) Commercial & Business Banking Other includes the areas COO, Transaction Banking, Digital Banking and HR.

G2. Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2017	Corporate & Institutional Banking 2016	Shipping, Offshore & Oil Services 2017	Shipping, Offshore & Oil Services 2016	Banking Russia 2017	Banking Russia 2016	Capital Markets unallocated 2017	Capital Markets unallocated 2016	Wholesale Banking Other[1] 2017	Wholesale Banking Other[1] 2016	Total Wholesale Banking 2017	Total Wholesale Banking 2016
Net interest income	520	517	243	256	93	185	–28	–8	–79	–104	749	846
Net fee and commission income	529	571	41	59	16	14	–61	–56	50	36	575	624
Net result from items at fair value	305	310	–34	31	14	17	346	429	–6	19	625	806
Other income	0	0	0	0	0	0	1	0	4	1	5	1
Total operating income	**1,354**	**1,398**	**250**	**346**	**123**	**216**	**258**	**365**	**–31**	**–48**	**1,954**	**2,277**
- of which internal transactions	–180	–200	–159	–134	–70	–73	55	111	–84	–99	–438	–395
Staff costs	–27	–27	–13	–15	–32	–38	–268	–283	–280	–259	–620	–622
Other expenses	–499	–545	–51	–50	–16	–19	116	137	158	157	–292	–320
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–3	–4	0	0	–19	–16	–22	–20
Total operating expenses	**–526**	**–572**	**–64**	**–65**	**–51**	**–61**	**–152**	**–146**	**–141**	**–118**	**–934**	**–962**
Profit before loan losses	**828**	**826**	**186**	**281**	**72**	**155**	**106**	**219**	**–172**	**–166**	**1,020**	**1,315**
Net loan losses	–72	–101	–142	–150	–20	–32	0	0	–1	2	–235	–281
Operating profit	**756**	**725**	**44**	**131**	**52**	**123**	**106**	**219**	**–173**	**–164**	**785**	**1,034**
Income tax expense	–182	–167	–10	–30	–13	–28	–25	–50	41	37	–189	–238
Net profit for the year	**574**	**558**	**34**	**101**	**39**	**95**	**81**	**169**	**–132**	**–127**	**596**	**796**
Balance sheet 31 Dec, EURbn												
Loans to the public	37	38	10	12	3	4	–	–	–	–	50	54
Deposits and borrowings from the public	36	36	4	5	1	1	–	–	–	–	41	42

1) Wholesale Banking Other includes the areas International Divisions, COO and HR.

Break-down of Wealth Management

Income statement, EURm	Private Banking 2017	Private Banking 2016	Asset Management 2017	Asset Management 2016	Life & Pensions unallocated 2017	Life & Pensions unallocated 2016	Wealth Management Other[1] 2017	Wealth Management Other[1] 2016	Total Wealth Management 2017	Total Wealth Management 2016
Net interest income	107	110	0	0	0	0	–1	0	106	110
Net fee and commission income	683	627	975	849	374	347	–353	–307	1,679	1,516
Net result from items at fair value	63	86	0	1	238	276	0	0	301	363
Other income	5	11	10	7	12	7	–9	–12	18	13
Total operating income	**858**	**834**	**985**	**857**	**624**	**630**	**–363**	**–319**	**2,104**	**2,002**
- of which internal transactions	–31	–30	2	1	0	0	0	1	–29	–28
Staff costs	–165	–162	–166	–146	–120	–115	–72	–79	–523	–502
Other expenses	–352	–284	–113	–108	–85	–76	152	138	–398	–330
Depreciation, amortisation and impairment charges of tangible and intangible assets	–9	–9	0	0	–4	–7	–6	–3	–19	–19
Total operating expenses	**–526**	**–455**	**–279**	**–254**	**–209**	**–198**	**74**	**56**	**–940**	**–851**
Profit before loan losses	**332**	**379**	**706**	**603**	**415**	**432**	**–289**	**–263**	**1,164**	**1,151**
Net loan losses	1	0	0	0	0	0	0	0	1	0
Operating profit	**333**	**379**	**706**	**603**	**415**	**432**	**–289**	**–263**	**1,165**	**1,151**
Income tax expense	–80	–87	–169	–139	–100	–99	69	60	–280	–265
Net profit for the year	**253**	**292**	**537**	**464**	**315**	**333**	**–220**	**–203**	**885**	**886**
Balance sheet 31 Dec, EURbn										
Loans to the public	10	11	–	–	–	–	–	–	10	11
Deposits and borrowings from the public	12	13	–	–	–	–	–	–	12	13

1) Wealth Management Other includes the areas Savings, COO and HR.

G2. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2017	2016	2017	2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Total Operating segments	10,128	10,505	4,560	5,079	284	296	162	174
Group functions[1]	24	20	–140	–12	–	–	–	–
Unallocated items	21	4	87	10	32	20	14	–1
Eliminations	–13	–18	–	–	–	–	–	–
Differences in accounting policies[2]	–691	–584	–509	–452	–6	2	–4	1
Total	**9,469**	**9,927**	**3,998**	**4,625**	**310**	**318**	**172**	**174**

1) Consists of Group Risk Management and Control, Group Internal Audit, Chief of staff office, Group Corporate Centre and Group Compliance.
2) Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2017	2016
Banking products	5,742	5,996
Capital Markets products	1,354	1,731
Savings products & Asset management	1,542	1,369
Life & Pensions	622	631
Other	209	200
Total	**9,469**	**9,927**

Banking products consists of three different product types. Account products includes 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 includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company 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 Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2017	2016	31 Dec 2017	31 Dec 2016
Sweden	2,062	2,487	167	168
Finland	1,963	1,855	104	92
Norway	1,688	1,582	103	87
Denmark	2,789	2,839	174	217
Baltic	177	336	0	3
Luxembourg	385	280	2	10
Russia	98	158	1	2
Other	307	390	30	37
Total	**9,469**	**9,927**	**581**	**616**

Nordea's main geographical markets comprise the Nordic countries, the Baltic countries, Luxembourg and Russia. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3. Net interest income

Interest income

EURm	2017	2016
Loans to credit institutions	303	56
Loans to the public	6,230	6,630
Interest-bearing securities	418	433
Other interest income	624	628
Interest income[1]	**7,575**	**7,747**

1) Of which contingent leasing income amounts to EUR 65m (EUR 83m). 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.

Interest expense

EURm	2017	2016
Deposits by credit institutions	–182	–87
Deposits and borrowings from the public	–367	–414
Debt securities in issue	–2,583	–3,014
Subordinated liabilities	–337	–372
Other interest expenses[1]	560	867
Interest expense	**–2,909**	**–3,020**
Net interest income	**4,666**	**4,727**

1) 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 G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit or loss amounts to EUR 5,835m (EUR 5,927m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –2,859m (EUR –3,056m).

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

G4. Net fee and commission income

EURm	2017	2016
Asset management commissions	1,543	1,369
- of which income	1,883	1,681
- of which expense	–340	–312
Life & Pension	313	306
- of which income	372	371
- of which expense	–59	–65
Deposit Products	27	30
- of which income	27	30
Brokerage, securities issues and corporate finance	224	226
- of which income	292	298
- of which expense	–68	–72
Custody and issuer services	59	59
- of which income	101	100
- of which expense	–42	–41
Payments	307	297
- of which income	434	413
- of which expense	–127	–116
Cards	228	226
- of which income	363	360
- of which expense	–135	–134
Lending Products	465	531
- of which income	487	552
- of which expense	–22	–21
Guarantees	143	161
- of which income	150	168
- of which expense	–7	–7
Other	60	33
- of which income	123	126
- of which expense	–63	–93
Total	**3,369**	**3,238**

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 450m (EUR 510m).

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 amounts to EUR 2,547m (EUR 2,349m). The corresponding amounts for fee expenses is EUR –59m (EUR –65m).

G5. Net result from items at fair value

EURm	2017	2016
Equity related instruments	370	–141
Interest related instruments and foreign exchange gains/losses	712	1,833
Other financial instruments (including credit and commodities)	20	–251
Investment properties	–3	–1
Life insurance[1]	229	275
Total	**1,328**	**1,715**

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

G5. Net result from items at fair value, cont.

Break-down of life insurance

EURm	2017	2016
Equity related instruments	1,344	1,338
Interest related instruments and foreign exchange gains/losses	715	970
Other financial instruments	4	–
Investment properties	195	221
Change in technical provisions	–2,056	–2,491
Change in collective bonus potential	7	177
Insurance risk income	177	168
Insurance risk expense	–157	–108
Total	**229**	**275**

Net result from categories of financial instruments[1]

EURm	2017	2016
Available for sale assets, realised	0	69
Financial instruments designated at fair value through profit or loss	33	26
Financial instruments held for trading[2]	434	249
Financial instruments under fair value hedge accounting	43	–11
- of which net result on hedging instruments	–906	–106
- of which net result on hedged items	949	95
Financial assets measured at amortised cost[3]	–2	18
Financial liabilities measured at amortised cost	–39	–28
Foreign exchange gains/losses excluding currency hedges	635	1,069
Other	–5	48
Financial risk income, net Life insurance[4]	209	215
Insurance risk income, net Life insurance	20	60
Total	**1,328**	**1,715**

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, i.e. before eliminations of intra-group transactions.
2) Of which amortised deferred day one profits amounts to EUR 54m (EUR 30m).
3) Of which EUR –2m (EUR 18m) related to instruments classified into the category "Loans and receivables" and EUR –m (EUR 0m) related to instruments classified into the category "Held to maturity".
4) Premium income amounts to EUR 2,883m (EUR 2,571m).

G6. Other operating income

EURm	2017	2016
Divestments of shares	7	–
Income from real estate	2	2
Sale of tangible and intangible assets	9	10
Other[1]	65	123
Total	**83**	**135**

1) Gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 76m in 2016.

G7. Staff costs

EURm	2017	2016
Salaries and remuneration (specification below)[1]	–2,508	–2,352
Pension costs (specification below)	–302	–197
Social security contributions	–496	–427
Other staff costs[2]	94	50
Total	**–3,212**	**–2,926**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	–24	–24
- Performance-related compensation	–11	–8
- Allocation to profit-sharing	0	0
Total	**–35**	**–32**
To other employees	–2,473	–2,320
Total	**–2,508**	**–2,352**

1) Of which allocation to profit-sharing 2017 EUR 27m (EUR 33m) consisting of a new allocation of EUR 29m (EUR 35m) and an adjustment related to prior years of EUR –2m (EUR –2m).
2) Including capitalisation of IT-project with EUR 211m (EUR 164m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are also included. Executives amount to 150 (189) individuals.

Pension costs[1]

EURm	2017	2016
Defined benefits plans (Note G32)[2]	–44	31
Defined contribution plans	–258	–228
Total	**–302**	**–197**

1) Pension cost for executives as defined in footnote 3 above, amounts to EUR 3m (EUR 4m) and pension obligations to EUR 14m (EUR 18m).
2) Excluding social security contributions. Including social security contributions EUR –51m (EUR –31m).

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2017 decided to increase the remuneration to the Board of Directors (the Board). The remuneration was decided to be EUR 294,600 for the chairman, EUR 141,300 for the vice chairman and EUR 91,950 for other members.

The annual remuneration for members of the Board Operations and Compliance Committee, the Board Audit Committee and the Board Risk Committee was decided to be EUR 48,650 for the Committee Chairman and EUR 29,600 for other committee members.

For the Board Remuneration Committee, the Chairman's remuneration was decided to be EUR 36,050 and for members EUR 25,750.

Board members employed by Nordea do not receive separate remuneration for their Board membership.

There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea

Salary and benefits

Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO 1 November 2015. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The annual fixed base salary as CEO was decided to be SEK 13,054,000 (EUR 1,354,462).

GEM EIP 2017 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2017 the outcome of the GEM EIP amounted to EUR 735,925.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2017 will be paid out in 2018, 30% will be deferred to 2021 and 30% to 2023.

The benefits for 2017 amounted to EUR 24,744 and include primarily car benefits and tax consultation.

The total earned remuneration for 2017, as CEO, based on the three components (excluding pensions) amounted to EUR 2,115,131.

The CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The fixed salary, GEM EIP and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board in accordance with Nordea's remuneration guidelines approved by AGM 2017.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO 1 November 2015. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO was decided to be DKK 8,560,000 (EUR 1,150,746).

GEM EIP 2017 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2017 the outcome of the GEM EIP amounted to EUR 818,181.

In accordance with remuneration regulations from the

G7. Staff costs, cont.

Remuneration to the Board of Directors[1]

EUR	2017	2016
Chairman of the Board:		
Björn Wahlroos	320,009	311,056
Vice Chairman of the Board:		
Marie Ehrling[3]	42,682	171,395
Lars G Nordström	157,742	113,837
Other Board members[2]:		
Tom Knutzen[3]	30,896	124,068
Robin Lawther	125,264	113,837
Sarah Russell	134,804	113,837
Silvija Seres	120,379	113,837
Kari Stadigh	137,351	124,068
Birger Steen	134,804	107,689
Pernille Erenbjerg[4]	93,965	–
Lars Wollung[4]	92,031	–
Maria Varsellona[4]	93,965	–
Total	**1,483,892**	**1,293,624**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in SEK quarterly in four equal instalments. For accounting purposes, it is converted back into EUR, using the average exchange rate each year.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2017.
4) New member of the Board as from the AGM 2017.

G7. Staff costs, cont.

Swedish FSA 40% of GEM EIP 2017 will be paid out in 2018, 30% will be deferred to 2021 and 30% to 2023.

The benefits for 2017 amounted to EUR 16,387 and include primarily housing benefits.

The total earned remuneration for 2017, as Group COO and Deputy CEO, based on the three components (excluding pensions) amounted to EUR 2,063,139.

The Group COO and Deputy CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for the Group COO and Deputy CEO, for resolution by the Board.

Group Executive Management (GEM)

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for members of GEM, for resolution by the Board. GEM EIP 2017, which is based on agreed, specific targets, can be a maximum of 100% of the fixed salary.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

	Fixed salary[1]		GEM Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2017	2016	2017	2016	2017	2016	2017	2016
Chief Executive Officer (CEO):								
Casper von Koskull[3]	1,354,462	1,292,312	735,925	749,204	24,744	29,499	2,115,131	2,071,015
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[4]	1,228,571	1,158,389	818,181	624,715	16,387	13,264	2,063,139	1,796,368
Group Executive Management (GEM):								
8 (8) individuals excluding CEO and Deputy CEO[5]	5,273,893	4,554,196	3,625,087	2,443,852	99,802	60,690	8,998,782	7,058,738
Total	**7,856,926**	**7,004,897**	**5,179,193**	**3,817,771**	**140,933**	**103,453**	**13,177,052**	**10,926,121**
Former Chief Executive Officer (Former CEO):								
Christian Clausen[6]	–	1,230,216	–	–	–	7,327	–	1,237,543
Total	**7,856,926**	**8,235,113**	**5,179,193**	**3,817,771**	**140,933**	**110,780**	**13,177,052**	**12,163,664**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes also holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).
2) The CEO and members of GEM were until end 2012 offered a Variable Salary Part (VSP) and a share based Long Term Incentive Programme (LTIP). Instead of these two programmes the Board in 2013 decided to, in order to reduce complexity, offer a GEM Executive Incentive Programme (GEM EIP). The outcome from GEM Executive Incentive Programme (GEM EIP) 2017 has been expensed in full in 2017 but will be paid out over a five-year deferral period with forfeiture clauses in order to comply with the remuneration regulations from the Swedish FSA. The GEM EIP 2017 is indexed with Nordea's total shareholder return (TSR) excluding dividends during the deferral period. The GEM EIP is further described in the separate section on remuneration in the Board of Directors' report and below.
3) The annual fixed base salary as CEO is in 2017 SEK 13,054,000 (EUR 1,354,462).
4) The annual fixed base salary as Group COO and Deputy CEO is in 2017 DKK 8,560,000 (EUR 1,150,746), excluding car and holiday allowance amounting to EUR 77,825.
5) Remuneration to GEM members is included for the period they have been appointed. During 2017 one GEM member has given notice to leave Nordea in 2018 and one new GEM member was appointed on 1 January 2017.
6) Remuneration as former CEO and as senior executive advisor is included for the period 1 January to 31 December 2016. In 2016, the former CEO was a strategic partner and advisor to the CEO and GEM.

Long Term Incentive Programmes (LTIP) 2010–2012

	Number of outstanding shares[1]			
	LTIP 2012	LTIP 2011	LTIP 2010	Total
Chief Executive Officer (CEO):				
Casper von Koskull	26,853	13,908	2,699	43,460
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen	24,912	12,446	2,121	39,479
Group Executive Management (GEM):				
8 (8) individuals excluding CEO and Deputy CEO	4,089	–	–	4,089
Total	**55,854**	**26,354**	**4,820**	**87,028**
Former Chief Executive Officer (Former CEO):				
Christian Clausen	38,119	19,210	2,679	60,008
Total	**93,973**	**45,564**	**7,499**	**147,036**

1) The LTIP programs were fully expensed in May 2015. All shares in LTIP programs are fully vested and consequently not conditional. 60% of the vested shares are deferred with forfeiture clauses due to remuneration regulations from the Swedish FSA and allotted over a five-year period, for LTIP 2010 starting May 2013, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 69 and below for more details. The numbers of outstanding shares are presented as of 31 December 2017.

G7. Staff costs, cont.

Benefits include primarily car and/or housing. Similar to the CEO and Group COO and Deputy CEO, some GEM members took part of the previous LTIPs.

Pension

Chief Executive Officer (CEO)

The CEO has a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total is 30% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed salary.

Group Executive Management (GEM)

The pension agreements vary due to local country practices.

Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

Three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution is in total 30% of the fixed salary. Two members have pensions in accordance with the local country statutory pension system in Finland. Two members have a defined contribution plan in accordance with local practises in Denmark. The pension contribution is in total up to 30% of the fixed salary. One member does not have a pension agreement with Nordea.

Fixed salary is pensionable income for all GEM-members and part of GEM EIP is included in the pensionable income for two members according to statutory pension rules.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has a severance pay equal to 12 months' salary to be reduced by the salary he receives from another employment during these 12 months.

The Group COO and Deputy CEO and eight GEM members have a notice period of 6 months and Nordea a notice period of 12 months. Normally, a severance pay up to 12 months' salary is provided to be reduced by the salary the executive receives from another employment during the severance pay period.

Pension expense and pension obligation

	2017		2016	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Board members[3]:				
Lars G Nordström	–	324,843	–	330,380
Chief Executive Officer (CEO):				
Casper von Koskull[4]	406,339	336,341	386,513	306,358
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[5]	345,224	–	322,351	–
Group Executive Management (GEM):				
8 (8) individuals excluding CEO and Deputy CEO[6]	870,088	649,295	1,188,910	3,922,800
Total	**1,621,651**	**1,310,479**	**1,897,774**	**4,559,538**
Former Chairman of the Board and CEOs:				
Vesa Vainio[7]	–	5,215,266	–	5,375,054
Christian Clausen[8]	–	–	338,280	–
Total	**1,621,651**	**6,525,745**	**2,236,054**	**9,934,592**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,593,736 (EUR 1,868,269) relates to defined contribution agreements.

2) The pension obligation is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

4) The pension agreement is a defined contribution plan. The contribution is 30% of fixed salary, consisting of the collective agreement BTP1 and a complementary additional contribution. The pension obligation is in accordance with the collective pension agreement BTP2 and earned as a member of GEM.

5) The Group COO and Deputy CEO's pension agreement is a defined contribution plan and the contribution is 30% of fixed salary.

6) Members of GEM included for the period they are appointed. The pension obligation is the obligation towards the members of GEM as of 31 December.

7) The pension obligation for Vesa Vainio is mainly due to pension rights earned in, and funded by, banks forming Nordea. The decrease in the pension obligation is mainly due to pension payments in 2017.

8) The pension expense as Former CEO amounting to 30% of fixed salary for the period 1 January to 31 December 2016 where he acted as strategic partner and advisor.

G7. Staff costs, cont.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 69.

Additional disclosures for all Nordea employees will be published in a separate report on www.Nordea.com no later than one week before the Annual General Meeting 15 March 2018 in accordance with Regulation 575/2013 (CRR) Article 450 supplemented by Guidelines on Sound Remuneration Policies EBA/GL/2015/22.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 27, amount to EUR 4m (EUR 5m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees, except for key management personnel in Denmark whose loans are granted on terms based on market conditions. In Norway the employee interest rate for loans is variable and was at 31 December 2017 1.8% for loans up to NOK 5m and 2.15% for loans above NOK 5m. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 40 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. For consumption credits the margin is 60 basis points. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

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 in 2013 introduced 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

Long Term Incentive Programmes

	2017			2016		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	221,561	664,683	221,561	280,628	841,884	280,628
Granted[1]	13,209	39,627	13,209	20,363	61,089	20,363
Forfeited	−4,521	−13,563	−4,521	–	–	–
Alloted	−82,998	−248,994	−82,998	−79,430	−238,290	−79,430
Outstanding at end of year [2]	**147,251**	**441,753**	**147,251**	**221,561**	**664,683**	**221,561**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	151,138	252,526	68,011	212,541	355,118	95,641
Granted[1]	8,923	14,909	4,015	15,422	25,768	6,940
Forfeited	−4,517	−7,548	−2,033	–	–	–
Alloted	−79,902	−133,502	−35,955	−76,825	−128,360	−34,570
Outstanding at end of year [2]	**75,642**	**126,385**	**34,038**	**151,138**	**252,526**	**68,011**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	41,311	43,640	18,585	86,955	91,858	39,119
Forfeited	−2,926	−3,091	−1,317	–	–	–
Alloted	−19,192	−20,274	−8,634	−45,644	−48,218	−20,534
Outstanding at end of year [2]	**19,193**	**20,275**	**8,634**	**41,311**	**43,640**	**18,585**
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no execise price for the deferred rights.

G7. Staff costs, cont.

efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than autumn 2020. 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 Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2016 is decided during spring 2017, and a reservation of EUR 36m excl. social costs is made 2016. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, 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	
EURm	2017	2016
Opening balance	110	67
Reclassification[1]	–1	–1
Deferred/earned during the year	49	50
TSR indexation during the year	1	19
Payments during the year	–48	–25
Translation differences	–2	0
Closing balance	**109**	**110**

1) Relates to a reclassification to liabilities held for sale.

Gender distribution

In the parent company´s Board of Directors 50% (56%) were men and 50% (44%) were women. In the Board of Directors of the Nordea Group companies, 73% (77%) were men and 27% (23%) were women. The corresponding numbers for Other executives were 73% (76%) men and 27% (24%) women. Internal Boards consist mainly of management in Nordea, employee representatives excluded.

Average number of employees, Full-time equivalents

	Total		Men		Women	
	2017	2016	2017	2016	2017	2016
Denmark	9,136	8,717	5,417	4,789	3,719	3,928
Sweden	7,462	7,276	3,851	3,502	3,611	3,774
Finland	7,032	7,104	2,622	2,329	4,410	4,775
Norway	3,127	3,140	1,758	1,692	1,369	1,448
Poland	2,060	1,571	1,044	765	1,016	806
Russia	606	829	207	261	399	568
Estonia	502	559	116	121	386	438
Latvia	364	457	161	141	203	316
Luxembourg	451	426	254	265	197	161
Lithuania	305	378	117	147	188	231
United States	123	120	61	61	62	59
Singapore	81	85	37	38	44	47
United Kingdom	68	77	39	48	29	29
Germany	43	55	23	31	20	24
China	31	30	13	12	18	18
Switzerland	22	29	14	20	8	9
Italy	9	7	6	6	3	1
Spain	7	5	5	3	2	2
Brazil	5	5	5	5	0	0
France	3	3	3	3	0	0
Total average	**31,437**	**30,873**	**15,753**	**14,239**	**15,684**	**16,634**
Total number of employees (FTEs), end of period	**30,399**	**31,596**				

G8. Other expenses

EURm	2017	2016
Information technology	–565	–573
Marketing and representation	–66	–79
Postage, transportation, telephone and office expenses	–101	–125
Rents, premises and real estate	–309	–309
Other	–581	–560
Total	**–1,622**	**–1,646**

Auditors' fees

EURm	2017	2016
PricewaterhouseCoopers[1]		
Auditing assignments	–7	–7
Audit-related services	–1	–1
Tax advisory services	–1	–1
Other assignments	–2	–5
Total	**–11**	**–14**

1) Of which Tax services EUR 0,1m and Other assignments EUR 0,4m refers to Öhrlings PricewaterhouseCoopers AB.

G9. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2017	2016
Depreciation/amortisation		
Properties and equipment	–106	–106
Intangible assets	–157	–115
Total	**–263**	**–221**
Impairment charges		
Intangible assets	–5	–7
Total	**–5**	**–7**
Total	**–268**	**–228**

G10. Net loan losses

EURm	2017	2016
Loan losses divided by class		
Provisions	–1	–1
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**0**
Realised loan losses	–426	–600
Allowances to cover realised loan losses	300	474
Recoveries on previous realised loan losses	54	57
Provisions	–908	–1,056
Reversals of previous provisions	642	639
Loans to the public[1]	**–338**	**–486**
Realised loan losses	–9	–9
Allowances to cover realised loan losses	9	9
Provisions	–92	–96
Reversals of previous provisions	61	80
Off-balance sheet items[2]	**–31**	**–16**
Net loan losses	**–369**	**–502**

1) See Note G13 "Loans and impairment".
2) Included in Note G31 "Provisons" as "Guarantees/commitments".

G11. Taxes

Income tax expense

EURm	2017	2016
Current tax	–1,022	–1,015
Deferred tax	72	156
Total	**–950**	**–859**

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

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

EURm	2017	2016
Profit before tax	3,998	4,625
Tax calculated at a tax rate of 22.0%	–880	–1,017
Effect of different tax rates in other countries	–23	–7
Interest on subordinated debt	–55	–
Income from associated undertakings	0	21
Tax-exempt income	21	132
Non-deductible expenses	–3	–19
Adjustments relating to prior years	–12	32
Utilization of non-capitalized tax losses carry-forwards from previous periods	2	1
Change of tax rate	–	3
Not creditable foreign taxes	–	–5
Tax charge	**–950**	**–859**
Average effective tax rate	24%	19%

G11. Taxes, cont.

Deferred tax

EURm	Deferred tax assets 2017	Deferred tax assets 2016	Deferred tax liabilities 2017	Deferred tax liabilities 2016
Deferred tax related to:				
Tax losses carry-forward	11	93	–	–
Loans to the public	29	28	367	397
Derivatives	16	17	238	285
Intangible assets	5	5	37	50
Investment properties	0	0	91	132
Retirement benefit assets/obligations	22	45	43	77
Liabilities/provisions	83	72	24	58
Foreign tax credits	61	–	–	–
Other	4	3	35	34
Netting between deferred tax assets and liabilities	–113	–203	–113	–203
Total	**118**	**60**	**722**	**830**

EURm	2017	2016
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	44	43
Total	**44**	**43**

G12. Earnings per share

	2017	2016
Earnings:		
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3 031	3,766
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–12	–15
Weighted average number of basic shares outstanding	**4,038**	**4,035**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	1	2
Weighted average number of diluted shares outstanding	**4,039**	**4,037**
Basic earnings per share, EUR	0.75	0.93
Diluted earnings per share, EUR	0.75	0.93

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 “Accounting policies” section 22.

G13. Loans and impairment

EURm	Central banks and credit institutions		The public[1]		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Loans, not impaired	13,389	20,254	306,422	314,572	319,811	334,826
Impaired loans	0	9	6,068	5,541	6,068	5,550
- of which servicing	0	9	3,593	3,235	3,593	3,244
- of which non-servicing	–	–	2,475	2,306	2,475	2,306
Loans before allowances	**13,389**	**20,263**	**312,490**	**320,113**	**325,879**	**340,376**
Allowances for individually assessed impaired loans	0	0	–1,936	–1,913	–1,936	–1,913
- of which servicing	0	0	–1,103	–1,054	–1,103	–1,054
- of which non-servicing	–	–	–833	–859	–833	–859
Allowances for collectively assessed impaired loans	–1	–2	–396	–511	–397	–513
Allowances	**–1**	**–2**	**–2,332**	**–2,424**	**–2,333**	**–2,426**
Loans, carrying amount	**13,388**	**20,261**	**310,158**	**317,689**	**323,546**	**337,950**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G21 "Leasing".

Movements of allowance accounts for impaired loans

EURm	Central banks and credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2017	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**
Provisions	–	–1	–1	–751	–157	–908	–751	–158	–909
Reversals of previous provisions	–	1	1	385	257	642	385	258	643
Changes through the income statement	**–**	**0**	**0**	**–366**	**100**	**–266**	**–366**	**100**	**–266**
Allowances used to cover realised loan losses	–	–	–	300	–	300	300	–	300
Reclassification	–	–	–	11	2	13	11	2	13
Translation differences	0	2	2	32	12	44	32	14	46
Closing balance at 31 Dec 2017	**0**	**0**	**0**	**–1,936**	**–397**	**–2,333**	**–1,936**	**–397**	**–2,333**
Opening balance at 1 Jan 2016	**0**	**–2**	**–2**	**–2,213**	**–449**	**–2,662**	**–2,213**	**–451**	**–2,664**
Provisions	0	–1	–1	–729	–327	–1,056	–729	–328	–1,057
Reversals of previous provisions	0	1	1	408	231	639	408	232	640
Changes through the income statement	**0**	**0**	**0**	**–321**	**–96**	**–417**	**–321**	**–96**	**–417**
Allowances used to cover realised loan losses	–	–	–	474	–	474	474	–	474
Reclassification	–	–	–	151	42	193	151	42	193
Translation differences	0	0	0	–4	–8	–12	–4	–8	–12
Closing balance at 31 Dec 2016	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**

Allowances and provisions[1]

EURm	Central banks and credit institutions		The public		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Allowances for items on the balance sheet	–1	–2	–2,332	–2,424	–2,333	–2,426
Provisions for off balance sheet items	–	–	–91	–71	–91	–71
Total allowances and provisions	**–1**	**–2**	**–2,423**	**–2,495**	**–2,424**	**–2,497**

1) Included in Note G31 "Provisions" as "Guarantees/commitments".

G13. Loans and impairment, cont.

Key ratios[1]

	31 Dec 2017	31 Dec 2016
Impairment rate, gross, basis points	186	163
Impairment rate, net, basis points	127	107
Total allowance rate, basis points	72	71
Allowances in relation to impaired loans, %	32	34
Total allowances in relation to impaired loans, %	38	44
Non-servicing loans, not impaired, EURm	253	248

1) For definitions, see "Glossary" on page 85.

G14. Interest-bearing securities

EURm	31 Dec 2017	31 Dec 2016
State, municipalities and other public bodies	16,833	26,603
Mortgage institutions	27,214	25,893
Other credit institutions	26,107	28,474
Corporates	5,140	4,667
Other	–	2,064
Total	**75,294**	**87,701**

G15. Financial instruments pledged as collateral

Financial instruments pledged as collateral

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

EURm	31 Dec 2017	31 Dec 2016
Interest-bearing securities	6,489	5,108
Total	**6,489**	**5,108**

For information on transferred assets and reverse repos, see Note G41 "Financial instruments set off on balance or subject to netting agreements".

G16. Shares

EURm	31 Dec 2017	31 Dec 2016
Shares	8,599	9,598
Fund units, equity related	5,954	9,090
Fund units, interest related	2,627	2,836
Total	**17,180**	**21,524**
- of which Financial instruments pledged as collateral (Note G15)	–	–
Total	**17,180**	**21,524**

G17. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2017	31 Dec 2016
Assets		
Interest-bearing securities	1,705	1,674
Shares and fund units	23,639	21,019
Properties	151	139
Other assets	384	270
Total	**25,879**	**23,102**
Liabilities		
Pooled schemes	4,317	4,340
Unit linked investment contracts	22,016	19,240
Total	**26,333**	**23,580**

The Life Group and Nordea Denmark, branch of Nordea Bank AB, have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

G18. Derivatives and Hedge accounting

Derivatives held for trading

31 Dec 2017, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	23,589	19,804	4,827,481
FRAs	39	18	984,287
Futures and forwards	32	48	148,995
Options	6,421	6,285	324,604
Other	4	2	4,009
Total	**30,085**	**26,157**	**6,289,376**
Equity derivatives			
Equity swaps	113	150	11,301
Futures and forwards	3	6	1,147
Options	355	642	13,845
Total	**471**	**798**	**26,293**
Foreign exchange derivatives			
Currency and interest rate swaps	6,203	7,816	352,287
Currency forwards	5,465	4,748	605,787
Options	150	107	23,485
Total	**11,818**	**12,671**	**981,559**
Other derivatives			
Credit Default Swaps (CDS)	2,009	1,975	78,650
Commodity derivatives	3	3	235
Other derivatives	29	3	324
Total	**2,041**	**1,981**	**79,209**
Total derivatives held for trading	**44,415**	**41,607**	**7,376,437**

Derivatives used for hedge accounting

31 Dec 2017, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	828	472	89,349
Foreign exchange derivatives	868	634	29,574
Total derivatives used for hedge accounting	**1,696**	**1,106**	**118,923**
- of which cash flow hedges	670	595	20,355[1]
- of which fair value hedges	973	478	89,349[1]
- of which net investment hedges	53	33	9,219
Total derivatives	**46,111**	**42,713**	**7,495,360**

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 cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2017, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	1,433	8,194	5,099	2,437	794
Net cash outflows	**1,433**	**8,194**	**5,099**	**2,437**	**794**

G18. Derivatives and Hedge accounting, cont.

Derivatives held for trading

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	37,392	32,707	5,055,477
FRAs	69	85	776,539
Futures and forwards	28	27	121,618
Options	10,223	9,323	370,301
Other	51	246	707
Total	**47,763**	**42,388**	**6,324,642**
Equity derivatives			
Equity swaps	83	105	5,574
Futures and forwards	5	2	875
Options	317	623	18,242
Total	**405**	**730**	**24,691**
Foreign exchange derivatives			
Currency and interest rate swaps	16,244	21,209	942,503
Currency forwards	954	659	70,464
Options	428	324	42,357
Other	10	9	4,162
Total	**17,636**	**22,201**	**1,059,486**
Other derivatives			
Credit Default Swaps (CDS)	1,599	1,647	75,316
Commodity derivatives	6	4	313
Other derivatives	29	25	3,482
Total	**1,634**	**1,676**	**79,111**
Total derivatives held for trading	**67,438**	**66,995**	**7,487,930**

Derivatives used for hedge accounting

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	1,461	638	92,479
Foreign exchange derivatives	1,060	992	32,237
Other derivatives	–	11	1,830
Total derivatives used for hedge accounting	**2,521**	**1,641**	**126,546**
- of which cash flow hedges	804	886	18,290[1]
- of which fair value hedges	1,660	648	96,944[1]
- of which net investment hedges	57	107	15,766
Total derivatives	**69,959**	**68,636**	**7,614,476**

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 cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2016, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	4,741	4,053	4,560	2,262	643[1]
Net cash outflows	**4,741**	**4,053**	**4,560**	**2,262**	**643**

1) The comparative figure has been restated.

G19. Investments in associated undertakings and joint ventures

EURm	31 Dec 2017	31 Dec 2016
Acquisition value at beginning of year	590	517
Acquisitions during the year	972	5
Sales during the year	–9	–145
Share in earnings[1]	61	120
Dividend received	–93	–32
Reclassification	–267	114
Translation differences	–17	11
Acquisition value at end of year	**1,237**	**590**
Accumulated impairment charges at beginning of year	–2	–2
Translation differences	0	0
Accumulated impairment charges at end of year	**–2**	**–2**
Total	**1,235**	**588**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2017	31 Dec 2016
Profit from companies accounted for under the equity method[1]	23	112
Portfolio hedge, Eksportfinans ASA	–3	–4
Associated undertakings in Life insurance, reported as Net result from items at fair value	41	12
Share in earnings	**61**	**120**

1) The gain related to VISA Inc's acquisition of VISA Europe in 2016 amounted to EUR 97m net of tax.

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2017	31 Dec 2016
Total assets	2,226	3,252
Net profit for the year	3	96
Other comprehensive income	0	–
Total comprehensive income	3	96

Nordea has issued contingent liabilities of EUR 1m (EUR 175m) on behalf of associated undertakings.

Associated undertakings

31 Dec 2017	Registration number	Domicile	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	172	191	23
Ejendomspartnerskabet af 1/7 2003[1]	27134971	Ballerup	–	206	49
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	12	27
LR Realkredit A/S	26045304	Copenhagen	9	6	39
Samajet Nymøllevej 59–91[1]	24247961	Ballerup	–	20	25
E-nettet Holding A/S	28308019	Copenhagen	3	2	20
Hovedbanegårdens Forretningscenter K/S[1]	16301671	Ballerup	–	2	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	–	8	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	9	33
Samejet Lautruphøj I/S[1]	50857859	Ballerup	–	6	50
NF Techfleet AB	556967-5423	Stockholm	2	2	20
NF Fleet Oy	2006935-5	Espoo	9	8	20
NF Fleet AB	556692-3271	Stockholm	5	5	20
NF Fleet A/S	29185263	Copenhagen	5	4	20
NF Fleet AS	988906808	Oslo	2	2	20
Upplysningscentralen UC AB	556137-5113	Stockholm	3	3	26
Bankomat AB	556817-9716	Stockholm	8	8	20
Visa Sweden	801020-5097	Stockholm	29	88	–
Other			5	1	–
Total			**262**	**583**	

1) Reclassified to Assets held for sale.

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2017	31 Dec 2016
Total assets	8,488	537
Net profit for the year	2	24
Other comprehensive income	1	–
Total comprehensive income	3	24

G19. Investments in associated undertakings and joint ventures, cont.

Joint ventures

31 Dec 2017	Registration number	Domicile	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Dansk ejendoms Fond I[1]	12601840	Ballerup	–	0	56
Ejendomsselskabet af 1. marts 2006 P/S[1]	29405069	Ballerup	–	0	50
DNP Ejendomme P/S[1]	28865147	Ballerup	–	0	50
Luminor Group AB	559072-8316	Stockholm	973	5	50
Relacom Management AB	556746-3103	Stockholm	–	–	61
Total			**973**	**5**	
Total associated undertakings and joint ventures			**1,235**	**588**	

1) Reclassified to Assets held for sale.

G20. Intangible assets

Goodwill allocated to cash generating units[1]		
Personal Banking Norway	263	283
Personal Banking Denmark	448	449
Personal Banking Sweden	128	131
Commercial & Business Banking Norway	466	501
Commercial & Business Banking Denmark	141	142
Commercial & Business Banking Sweden	85	87
Life & Pensions, Denmark	–	128
Life & Pensions, Norway	128	128
Life & Pensions, Poland	–	40
Banking Russia	161	174
Shipping, Offshore & Oil services	174	184
Total goodwill	**1,994**	**2,247**
Computer software	1,917	1,447
Other intangible assets	72	98
Total intangible assets	**3,983**	**3,792**
Movements in goodwill		
Acquisition value at beginning of year	2,248	2,171
Transfers/reclassifications during the year	–169	–
Translation differences	–84	77
Acquisition value at end of year	**1,995**	**2,248**
Accumulated impairment charges at beginning of year	–1	–1
Accumulated impairment charges at end of year	**–1**	**–1**
Total	**1,994**	**2,247**
Movements in computer software		
Acquisition value at beginning of year	1,802	1,200
Acquisitions during the year	645	617
Transfers/reclassifications during the year	–23	–
Translation differences	–47	–15
Acquisition value at end of year	**2,377**	**1,802**
Accumulated amortisation at beginning of year	–315	–229
Amortisation according to plan for the year	–123	–85
Transfers/reclassifications during the year	8	–
Translation differences	13	–1
Accumulated amortisation at end of year	**–417**	**–315**

G20. Intangible assets, cont.

EURm	31 Dec 2017	31 Dec 2016
Accumulated impairment charges at beginning of year	–40	–33
Impairment charges during the year	–5	–7
Translation differences	2	0
Accumulated impairment charges at end of year	**–43**	**–40**
Total	**1,917**	**1,447**

1) Excluding goodwill in associated undertakings.

Impairment testing of goodwill and computer software

A cash generating unit, defined as the operating segment, is the basis for the impairment test. For Life & Pensions, the cash generating units for which goodwill is tested, are the operations in each country.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows in the coming three years are based on financial forecasts. The forecasts are based on the Nordea macro economic outlook, including information on GDP growth, inflation and benchmark rates for relevant countries. Based on these macro forecasts, business areas project how margins, volumes, sales and costs will develop the coming years. Credit losses are estimated using the long term average for the different business areas. This results in an income statement for each year. The projected cash flow for each year is the forecasted net result in these income statements, reduced by the capital needed to grow the business in accordance with the long term growth assumptions. The projections take into consideration the major projects initiated in Nordea, e.g. moving domicile and the transformation program. There is also an allocation of central costs to business areas to make sure the cash flows for the CGUs include all indirect costs. Tax costs are estimated based on the standrard tax rate. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. Growth rates are based on historical data, updated to reflect the current situation.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The following growth rates and discount rates have been used:

G20. Intangible assets, cont.

EURm	Discount rate[1]		Growth rate	
	2017	2016	2017	2016
Sweden	7.1	7.0	1.8	1.3
Denmark	6.6	7.0	1.3	1.3
Finland	6.6	7.0	1.3	1.3
Norway	7.1	7.5	1.8	1.8
Russia	9.5	11.0	0.0	1.3
Poland	N.A.	8.4	N.A.	1.3

1) Post-tax

The impairment tests conducted in 2017 did not indicate any need for goodwill impairment. See Note G1 "Accounting policies" section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would result in the following impairment for the below cash generating units:

EURm	Growth rate −1%	Discount rate +1%
Life & Pensions, Norway	58	73

For Life & Pensions, Norway the break-even point for impairment is a decrease in growth rate of 0.5% points or an increase in the discount rate of 0.5% points.

G21. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G13) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

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

EURm	31 Dec 2017	31 Dec 2016
Gross investments	6,547	6,306
Less unearned finance income	−815	−407
Net investments in finance leases	**5,732**	**5,899**
Less unguaranteed residual values accruing to the benefit of the lessor	−14	−16
Present value of future minimum lease payments receivable	**5,718**	**5,883**
Accumulated allowance for uncollectible minimum lease payments receivable	3	7

G21. Leasing, cont.

As of 31 December 2017 the gross investment and the net investment by remaining maturity was distributed as follows:

EURm	31 Dec 2017	
	Gross investment	Net investment
2018	1,465	1,201
2019	1,593	1,335
2020	1,432	1,255
2021	750	697
2022	663	625
Later years	644	619
Total	**6,547**	**5,732**

Operating leases

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

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

EURm	31 Dec 2017
2018	2
2019	1
2020	1
2021	1
2022	0
Later years	0
Total	**5**

Nordea as a lessee

Finance leases

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

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year

EURm	31 Dec 2017	31 Dec 2016
Leasing expenses during the year	−204	−207
- of which minimum lease payments	−197	−206
- of which contingent rents	−7	−1
Leasing income during the year regarding sublease payments	4	4

G21. Leasing, cont.

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

EURm	31 Dec 2017
2018	163
2019	135
2020	121
2021	104
2022	94
Later years	361
Total	**978**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 13m.

G22. Investment properties

EURm	31 Dec 2017	31 Dec 2016
Carrying amount at beginning of year	3,119	3,054
Acquisitions during the year	425	376
Sales during the year	–179	–248
Fair value adjustments	39	55
Transfers/reclassifications during the year	–2,043	–159
Translation differences	87	41
Carrying amount at end of year	**1,448**	**3,119**

Amounts recognised in the income statement[1]

EURm	2017	2016
Fair value adjustments	72	87
Rental income	159	157
Direct operating expenses that generate rental income	–29	–16
Direct operating expenses that did not generate rental income	–10	–8
Total	**192**	**220**

1) Included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G40 "Assets and liabilities at fair value".

G23. Other assets

EURm	31 Dec 2017	31 Dec 2016
Claims on securities settlement proceeds	924	1,944
Cash/margin receivables	9,007	15,154
Other	2,510	1,875
Total	**12,441**	**18,973**

G24. Prepaid expenses and accrued income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest income	297	313
Other accrued income	464	483
Prepaid expenses	702	653
Total	**1,463**	**1,449**

G25. Deposits by credit institutions

EURm	31 Dec 2017	31 Dec 2016
Central banks	13,751	10,006
Banks	18,401	14,454
Other credit institutions	7,831	13,676
Total	**39,983**	**38,136**

G26. Deposits and borrowings from the public

EURm	31 Dec 2017	31 Dec 2016
Deposits[1]	165,418	170,030
Repurchase agreements	7,016	3,998
Total	**172,434**	**174,028**

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

EURm	31 Dec 2017	31 Dec 2016
Traditional life insurance provisions	6,264	19,124
- of which guaranteed provisions	6,178	19,023
- of which non-guaranteed provisions	86	101
Collective bonus potential	2,249	3,606
Unit-linked insurance provisions	6,922	14,240
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	6,922	14,240
Insurance claims provision	422	460
Provisions, Health & personal accident	74	252
Total Insurance contracts	**15,931**	**37,682**
Investment contracts	3,481	3,528
- of which guaranteed provisions	3,481	3,528
- of which non-guaranteed provisions	–	–
Total	**19,412**	**41,210**

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

G27. Liabilities to policyholders, cont.

31 Dec 2017, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Gross premiums written	612	–	2,591	–	–	137	3,340
Transfers/reclassification[1]	–12,299	–1,179	–9,637	–44	–173	5	–23,327
Addition of interest/investment return	517	–	1,072	–	–	284	1,873
Claims and benefits	–1,262	–	–1,241	–16	–7	–271	–2,797
Expense loading including addition of expense bonus	–91	–	–95	–	–	–31	–217
Change in provisions/bonus potential	42	–121	79	26	6	–	32
Other	20	–	–47	–	–	–25	–52
Translation differences	–399	–57	–40	–4	–4	–146	–650
Provisions/bonus potentials, end of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Provision relating to bonus schemes/ discretionary participation feature:	99%					72%	

1) EUR 23,316m is related to a reclassification to "Assets held for sale". See Note G42 for further information.

31 Dec 2016, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,081**	**3,229**	**12,236**	**395**	**249**	**3,517**	**38,707**
Gross premiums written	681	–	2,265	–	–	147	3,093
Transfers	–152	–	111	–	–	0	–41
Addition of interest/investment return	415	–	386	–	–	119	920
Claims and benefits	–1,368	–	–1,081	63	3	–282	–2,665
Expense loading including addition of expense bonus	–96	–	–90	–	–	–31	–217
Change in provisions/bonus potential	–152	404	–242	–	–2	0	8
Other	406	–	611	–	–	120	1,137
Translation differences	309	–27	44	2	2	–62	268
Provisions/bonus potentials, end of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Provision relating to bonus schemes/ discretionary participation feature:	95%					75%	

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below

Life insurance risk and market risks in the Life insurance operations, Sensitivites

	31 Dec 2017		31 Dec 2016	
EURm	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]
Mortality – increased living with 1 year	23.4	–18.7	28.0	–21.5
Mortality – decreased living with 1 year	–0.5	0.4	–5.8	4.5
Disability – 10% increase	9.4	–7.5	12.3	–9.5
Disability – 10% decrease	–6.4	5.1	–8.5	6.5
50 bp increase in interest rates	–266.1	–2.9	–713.3	–3.2
50 bp decrease in interest rates	266.9	2.9	701.6	2.7
12% decrease in all share prices	–724.1	–1.3	–1,274.5	–2.6
8% decrease in property value	–106.3	–0.6	–204.6	–1.1
8% loss on counterparts	–4.7	0.0	–7.5	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

G27. Liabilities to policyholders, cont.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2017, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,006	1,502	2,924	2,185	2,225	825	16,667

31 Dec 2016, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	14,341	2,373	8,966	3,518	4,041	3,653	36,892

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guarantees	Yes
Unit-Link	Mortality	Yes
	Disability	Yes
	Return guarantees	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guarantees	No
Financial contract	Mortality	No
	Disability	No
	Return guarantees	Yes

G28. Debt securities in issue

EURm	31 Dec 2017	31 Dec 2016
Certificates of deposit	10,743	19,089
Commercial papers	24,441	17,805
Covered bonds	111,701	109,477
Other bonds	32,186	45,319
Other	43	60
Total	**179,114**	**191,750**

G29. Other liabilities

EURm	31 Dec 2017	31 Dec 2016
Liabilities on securities settlement proceeds	3,055	2,127
Sold, not held, securities	13,400	8,024
Accounts payable	161	195
Cash/margin payables	8,857	9,697
Other	3,042	4,370
Total	**28,515**	**24,413**

G30. Accrued expenses and prepaid income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest	8	7
Other accrued expenses	1,357	1,468
Prepaid income	238	283
Total	**1,603**	**1,758**

G31. Provisions

EURm	31 Dec 2017	31 Dec 2016
Restructuring	225	223
Guarantees/commitments	91	71
Other	13	12
Total	**329**	**306**

Provisions for restructuring costs have been utilised by EUR 92m during 2017. The majority of the remaining restructuring provision was recognised in the fourth quarter 2017, and is related to the transformational change (EUR 77m remains from the opening balance). For further information see Board of Directors' report. Provisions are mainly expected to be used during 2018. 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.

Loan loss provisions for individually assessed guarantees and other commitments amounts to EUR 91m. Other provision amounts to EUR 13m (EUR 11m expected to be settled 2018).

EURm	Restructuring	Guarantees/commitments	Other	Total
At beginning of year	223	71	12	306
New provisions made	148	92	7	247
Provisions utilised	–92	–9	–4	–105
Reversals	–56	–61	0	–117
Reclassifications	7	–	0	7
Translation differences	–5	–2	–2	–9
At end of year	**225**	**91**	**13**	**329**

G32. Retirement benefit obligations

EURm	31 Dec 2017	31 Dec 2016
Retirement benefit assets	250	306
Retirement benefit obligations	281	302
Net liability (–)/asset (+)	**–31**	**4**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus. Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to secure the level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

Due to recent changes in Norwegian social security and pension legislation, on 25 October 2016 Nordea decided to amend the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. As the assumption about future salary increases has been removed, the change decreases the obligation. This led to an upfront gain in 2016 of EUR 86m including social charges.

IAS 19 pension calculations and assumptions

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

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2017					
Discount rate[2]	2.49%	2.60%	1.41%	1.70%	2.31%
Salary increase	2.75%	2.75%	1.75%	2.25%[3]	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2016					
Discount rate[2]	2.67%	2.75%	1.50%	1.92%	2.14%
Salary increase	2.25%	2.75%	1.75%	2.25%[3]	–
Inflation	1.25%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	GAP07/I73	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2017 have an impact on the liability calculation by year-end 2017, while the assumptions disclosed for 2016 are used for calculating the pension expense in 2017.
2) More information on the discount rate can be found in Note G1 "Accounting policies", section 22. The sensitivities to changes in the discount rate can be found below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2016 projections in 2017 and with CMI_2015 projections in 2016.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–8.2%	–7.1%	–6.3%	–5.1%	–11.1%
Discount rate - Decrease 50bps	9.5%	8.0%	7.1%	5.6%	12.8%
Salary increase - Increase 50bps	3.2%	0.6%	0.4%	5.0%	–
Salary increase - Decrease 50bps	–2.2%	–0.5%	–0.4%	–4.7%	–
Inflation - Increase 50bps	8.1%	7.7%	6.4%	–	2.1%
Inflation - Decrease 50bps	–7.2%	–6.9%	–5.8%	–	–1.9%
Mortality - Increase 1 year	3.6%	1.2%	4.4%	5.4%	4.6%
Mortality - Decrease 1 year	–3.6%	–1.2%	–4.3%	–5.3%	–4.5%

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 gives the possibility 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 2016 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

As all pensions in Denmark are salary indexed, the inflation has no impact on the DBO in Denmark.

G32. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2017	Nor 2017	Fin 2017	Den 2017	UK 2017	Total 2017	Total 2016
Obligations	1,704	764	776	101	109	3,454	3,434
Plan assets	1,634	666	865	127	131	3,423	3,438
Net liability(–)/asset(+)	**–70**	**–98**	**89**	**26**	**22**	**–31**	**4**
- of which retirement benefit liabilities	128	149	3	1	–	281	302
- of which retirement benefit assets	58	51	92	27	22	250	306

Movements in the obligation

EURm	Swe	Nor	Fin	Den	UK	Total
2017						
Opening balance	1,524	869	800	103	138	3,434
Current service cost	25	6	3	–	–	34
Interest cost	41	22	12	2	3	80
Pensions paid	–70	–35	–40	–6	–17	–168
Past service cost and settlements	14	–5	0	–	–	9
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Translation differences	–52	–66	–	–1	–4	–123
Change in provision for SWT/SSC[2]	25	–10	–	–	0	15
Closing balance	**1,704**	**764**	**776**	**101**	**109**	**3,454**
- of which relates to the active population	27%	14%	15%	–	–	20%
2016						
Opening balance	1,421	843	764	100	143	3,271
Current service cost	23	16	3	–	–	42
Interest cost	43	24	16	3	3	89
Pensions paid	–71	–35	–38	–6	–5	–155
Past service cost and settlements[1]	3	–84	–2	–	–	–83
Remeasurement from changes in demographic assumptions	54	–	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	69	7	18	228
Remeasurement from experience adjustments	1	15	–12	–1	–	3
Translation differences	–56	48	–	0	–21	–29
Change in provision for SWT/SSC[2]	13	1	–	–	–	14
Closing balance	**1,524**	**869**	**800**	**103**	**138**	**3,434**
- of which relates to the active population	27%	35%	14%	–	–	25%

1) Includes gain in Norway from transition to DCP.
2) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 18 (16) years in Sweden, 15 (15) years in Norway, 15 (13) years in Finland, 11 (11) years in Denmark and 24 (23) years in UK based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration. The increase in average duration during the year is due to changed assumptions.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

EURm	Swe	Nor	Fin	Den	UK	Total
2017						
Opening balance	1,591	703	861	131	152	3,438
Interest income (calculated using the discount rate)	42	18	13	3	3	79
Pensions paid	–	–20	–40	–6	–17	–83
Contributions by employer	–	7	0	3	–	10
Remeasurement (actual return less interest income)	49	15	31	–4	–3	88
Translation differences	–48	–57	–	0	–4	–109
Closing balance	**1,634**	**666**	**865**	**127**	**131**	**3,423**
2016						
Opening balance	1,554	644	843	129	149	3,319
Interest income (calculated using the discount rate)	46	19	17	3	4	89
Pensions paid	–	–17	–38	–6	–5	–66
Settlements	–	–10	–	–	–	–10
Contributions by employer	6	24	1	–	2	33
Remeasurement (actual return less interest income)	44	7	38	5	25	119
Translation differences	–59	36	–	0	–23	–46
Closing balance	**1,591**	**703**	**861**	**131**	**152**	**3,438**

Asset composition

The combined return on assets in 2017 was 4.9% (6.3%). All asset classes generated positive return with equities as the main driver. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 28% (27%) of total assets.

The Group expects to contribute EUR 8m to its defined benefit plans in 2018.

Asset composition in funded schemes

%	Swe 2017	Nor 2017	Fin 2017	Den 2017	UK 2017	Total 2017	Total 2016
Bonds	**69%**	**52%**	**55%**	**86%**	**81%**	**63%**	**64%**
- sovereign	34%	31%	29%	35%	81%	34%	38%
- covered bonds	17%	9%	5%	50%	–	13%	10%
- corporate bonds	15%	10%	21%	–	–	15%	15%
- issued by Nordea entities	2%	1%	–	–	–	1%	1%
- with quoted market price in an active market	69%	52%	55%	86%	81%	63%	64%
Equity	**29%**	**31%**	**29%**	**13%**	**19%**	**28%**	**27%**
- domestic	7%	7%	7%	13%	6%	7%	7%
- European	8%	10%	7%	–	6%	8%	7%
- US	8%	9%	8%	–	6%	8%	8%
- emerging	5%	6%	6%	–	1%	5%	5%
- Nordea shares	1%	–	0%	–	–	0%	0%
- with quoted market price in an active market	29%	31%	29%	13%	19%	28%	27%
Real estate[1]	–	**15%**	**14%**	–	–	**7%**	**6%**
- occupied by Nordea	–	–	4%	–	–	1%	1%
Cash and cash equivalents	**2%**	**2%**	**2%**	**1%**	–	**2%**	**3%**

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

G32. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 51m (EUR –31m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7 "Staff costs").

Recognised in the income statement

2017, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	25	6	3	–	–	34
Net interest	–1	4	–1	–1	0	1
Past service cost and settlements	14	–5	0	–	–	9
SWT/SSC[1]	7	0	–	–	–	7
Pension cost on defined benefit plans (expense+/ income–)	**45**	**5**	**2**	**–1**	**0**	**51**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2016, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	23	16	3	–	–	42
Net interest	–3	5	–2	0	0	0
Past service cost and settlements[1]	3	–74	–2	–	–	–73
SWT/SSC[2]	7	–7	–	–	–	0
Pension cost on defined benefit plans (expense+/ income–)	**30**	**–60**	**–1**	**0**	**0**	**–31**

1) Past service cost 2016 includes the gain in Norway from transition to DCP.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2016, excluding past service cost and related SWT and SSC, the pension cost has decreased in 2017 mainly as a consequence of the transition to DCP in Norway and change of actuarial assumptions at the end of 2016.

Recognised in other comprehensive income

2017, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Remeasurement of plan assets (actual return less interest income)	–49	–15	–31	4	3	–88
SWT/SSC[1]	36	–6	–	–	–	30
Pension cost on defined benefit plans (expense+/income–)	**184**	**–38**	**–30**	**7**	**–8**	**115**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2016, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	54	–	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	69	7	18	228
Remeasurement from experience adjustments	1	15	–12	–1	–	3
Remeasurement of plan assets (actual return less interest income)	–44	–7	–39	–5	–24	–119
SWT/SSC[1]	25	14	–	–	–	39
Pension cost on defined benefit plans (expense+/income–)	**129**	**63**	**18**	**1**	**–6**	**205**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway. Includes the effect from changed assumption on SSC rate in Norway, increased from 14.1% to 19.1% in 2016.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation

G32. Retirement benefit obligations, cont.

between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well as to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2017 was 7.0% of the employees' wages below 7.1 average base amounts and 18.0% of the employees' wages above 7.1 average base amounts. Average base amounts are defined in the Norwegian National Insurance Act. The premium is calculated based on the average wages and base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2017 amount to EUR 15m. Payments to the plan during 2017 covered 2,475 employees. The premium rate for 2018 will be on the same level as for 2017. The expected premium in 2018 amounts to EUR 18m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 7m (EUR 10m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2017 were EUR 2m (EUR 2m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2017	31 Dec 2016
Dated subordinated debenture loans	5,947	6,997
Undated subordinated debenture loans	242	272
Hybrid capital loans	2,798	3,190
Total	**8,987**	**10,459**

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.

G34. Assets pledged as security for own liabilities

EURm	31 Dec 2017	31 Dec 2016
Assets pledged for own liabilities		
Securities etc[1]	25,881	16,416
Loans to the public	138,882	138,613
Other assets pledged	34,210	34,412
Total	**198,973**	**189,441**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	14,575	5,822
Deposits and borrowings from the public	5,646	7,047
Derivatives	8,978	13,928
Debt securities in issue	106,379	108,717
Other liabilities and commitments	24,408	22,436
Total	**159,986**	**157,950**

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 G43 "Transferred assets and obtained collaterals".

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

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35. Other Assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 4,923m (EUR 8,310m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other 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.

G36. Contingent liabilities

EURm	31 Dec 2017	31 Dec 2016
Guarantees		
- Loan guarantees	4,443	5,018
- Other guarantees	12,892	16,016
Documentary credits	1,639	1,937
Other contingent liabilities	46	118
Total	**19,020**	**23,089**

In the normal business Nordea issues various forms of guarantees in favour of the Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the Nordea'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. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote.

Nordea has during the year received a dividend payment from Visa Sweden Förening ek. för. amounting to EUR 64m. This payment has been recognised as a decrease of "Investments in associated undertakings and joint ventures" on the balance sheet. Nordea can, if Visa Sweden Förening ek. för. so demands, be required to repay the full amount which will be followed by a reallocation between owners of Visa Sweden Förening ek. för. and a subsequent redistribution to Nordea. It is Nordeas's assessment that any reallocation would not have a significant impact on Nordea.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board members in group undertakings to Nordea Bank AB (publ), provided that such liability has arisen before 31 March 2017.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

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 the Group or its financial position.

G37. Commitments

EURm	31 Dec 2017	31 Dec 2016
Unutilised overdraft facilities	29,956	30,703
Loan commitments	44,589	47,302
Future payment obligations	1,441	1,107
Other commitments	1,046	322
Total	**77,032**	**79,434**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2017 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2017. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1 "Accounting policies", section 25, about derivatives, see Note G18 "Derivatives and Hedge accounting" and about reverse repos, see Note G43 "Transferred assets and obtained collaterals".

G38. 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 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 Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR).

CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries on the 1 January 2014.

The Basel III framework is built on three Pillars:
- **Pillar I** – requirements for the calculation of REA and Capital
- **Pillar II** – rules for the Supervisory Review Evaluation Process (SREP) including the Internal Capital Adequacy Assessment Process (ICAAP)
- **Pillar III** – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2018, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

The disclosures in this note cover the Nordea Group as defined on page 144.

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.

Tier 1 capital

Tier 1 capital is the sum of common equity tier 1 capital and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing 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 capital items consist of additional Tier 1 instruments and the related share premium.

Additional Tier 1 instruments

Additional Tier 1 instruments are subordinated capital instruments that rank senior only to share capital. CRR specifies the necessary characteristics required for inclusion in additional Tier 1 capital. The instruments are loss-absorbing from a going concern perspective as coupons can be cancelled at any time at the full discretion of the issuer and the principal will be written down if the Common Equity Tier 1 capital ratio would fall below a pre-defined trigger level. The instruments are perpetual and can only be repaid with the permission from the Swedish FSA and not earlier than five years after original issuance of the instrument. Additional Tier 1 instruments that fulfil the CRR requirements are fully included whereas remaining instruments are phased out according to transitional rules. During 2017, Nordea issued one additional Tier 1 instrument of EUR 750m. At year-end, Nordea held EUR 3.5bn in undated subordinated instruments.

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-á-vis depositors and other bank creditors.

Tier 2 instruments

Tier 2 instruments are subordinated instruments. The basic principle for subordinated instruments in own funds is the order of priority in case of a default or bankruptcy situation.

Under such conditions, the holder of the subordinated instrument would be repaid after other creditors, but before shareholders. Tier 2 instruments have an original maturity of at least five years. According to the regulation, Tier 2 instruments that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The inclusion of outstanding Tier 2 instruments in the Tier 2 capital is reduced if the remaining maturity is less than five years. As of year-end, Nordea held EUR 4.7bn in dated subordinated instruments and EUR 0.2bn in undated subordinated instruments.

The tables below shows the main features of outstanding-Common Equity Tier 1, additional Tier 1 and Tier 2 instruments.

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(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	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	23,625	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–319	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	661	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**[1]	**29,097**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–244	–
8	Intangible assets (net of related tax liability) (negative amount)	–3,835	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–0	–
11	Fair value reserves related to gains or losses on cash flow hedges	46	–
12	Negative amounts resulting from the calculation of expected loss amounts	–291	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–73	–
15	Defined-benefit pension fund assets (negative amount)	–152	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–32	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	217
	Of which: ... filter for unrealised loss 1	–	39
	Of which: ... filter for unrealised gain 1	–	177
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–4,581**	–
29	**Common Equity Tier 1 (CET1) capital**	**24,515**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,806	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	722	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**[1]	**3,528**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–35	–
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–35**	–
44	**Additional Tier 1 (AT1) capital**	**3,493**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**28,008**	–
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	4,669	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	241	–
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
49	of which: instruments issued by subsidiaries subject to phase out	–	–
50	**Credit risk adjustments**	**95**	–
51	**Tier 2 (T2) capital before regulatory adjustments**[1]	**5,005**	–
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	−61	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	−1,205	–
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**−1,266**	–
58	**Tier 2 (T2) capital**	**3,739**	–
59	**Total capital (TC = T1 + T2)**	**31,747**	–
60	**Total risk weighted assets**	**125,779**	–
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	19.5%	–
62	Tier 1 (as a percentage of risk exposure amount)	22.3%	–
63	Total capital (as a percentage of risk exposure amount)	25.2%	–
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)	6.3%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.8%	–
67	of which: systemic risk buffer requirement	3.0%	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	2.0%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.0%	–
	Amounts below the threshold 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)	211	–
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)	946	–
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)	–	–
	Applicable caps to 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)	95	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	533	–
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)		
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

1) Prior to deduction of direct holdings.

G38. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2017		31 Dec 2016	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**8,219**	**102,743**	**8,601**	**107,512**
- of which counterparty credit risk	488	6,096	759	9,489
IRB	7,104	88,808	7,517	93,958
- sovereign	149	1,869	–	–
- corporate	4,560	57,004	4,977	62,212
- advanced	3,774	47,173	3,887	48,585
- foundation	786	9,831	1,090	13,627
- institutions	493	6,163	572	7,144
- retail	1,671	20,888	1,755	21,933
- secured by immovable property collateral	934	11,678	1,001	12,505
- other retail	737	9,210	754	9,428
- items representing securitisation positions	68	850	66	828
- other	163	2,034	147	1,841
Standardised	1,115	13,935	1,084	13,554
- central governments or central banks	22	281	26	320
- regional governments or local authorities	1	7	21	266
- public sector entities	0	3	3	39
- multilateral development banks	–	–	2	32
- international organisations	–	–	–	–
- institutions	14	171	40	498
- corporate	261	3,264	173	2,159
- retail	258	3,225	258	3,223
- secured by mortgages on immovable properties	197	2,458	229	2,863
- in default	47	592	9	114
- associated with particularly high risk	60	754	56	701
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	208	2,598	221	2,760
- other items	47	582	46	579
Credit Value Adjustment Risk	**96**	**1,207**	**144**	**1,798**
Market risk	**282**	**3,520**	**358**	**4,474**
- trading book, Internal Approach	196	2,444	236	2,942
- trading book, Standardised Approach	86	1,076	74	928
- banking book, Standardised Approach	–	–	48	604
Operational risk	**1,345**	**16,809**	**1,350**	**16,873**
Standardised	1,345	16,809	1,350	16,873
Additional risk exposure amount, Article 3 CRR	**120**	**1,500**	**200**	**2,500**
Sub total	**10,062**	**125,779**	**10,653**	**133,157**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,132	76,645	6,612	82,655
Total	**16,194**	**202,424**	**17,265**	**215,812**

G38. Capital adequacy, cont.

Leverage ratio

	31 Dec 2017	31 Dec 2016
Tier 1 capital, transitional definition, EURm[1]	28,008	27.555
Leverage ratio exposure, EURm	538,338	555.688
Leverage ratio, percentage	5.2	5.0

1) Including profit for the period.

Capital requirements for market risk

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	557	45	918	73	–	–	1,475	118
Equity risk	150	12	109	9	–	–	259	21
Foreign exchange risk	281	23	–	–	–	–	281	23
Commodity risk	–	–	49	4	–	–	49	4
Settlement risk	–	–	0	0	–	–	0	0
Diversification effect	–475	–38	–	–	–	–	–475	–38
Stressed Value-at-Risk	1,043	83	–	–	–	–	1,043	83
Incremental Risk Measure	477	38	–	–	–	–	477	38
Comprehensive Risk Measure	411	33	–	–	–	–	411	33
Total	**2,444**	**196**	**1,076**	**86**	**–**	**–**	**3,520**	**282**

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR.

Table A3–A5 include disclosure of capital instruments' main features in accordance with §6.4 in FFFS 2014:18 and using the template in Annex II in article 3 in Commission implementing regulation (EU) No 1423/2013. Template items are excluded if not applicable.

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons/dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument									
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
	Regulatory treatment									
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 148m	EUR 74m	EUR 831m	EUR 414m	EUR 228m	EUR 127m	EUR 457m	EUR 750m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 148m	JPY 10,000m / EUR 74m	USD 1,000m / EUR 834m	USD 500m / EUR 417m	SEK 2,250m / EUR 229m	NOK 1,250m / EUR 127m	USD 550m / EUR 459m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Equity
11	Original date of issuance	17-Sep-2004	04-Mar-2005	12-Oct-2005	23-Sep-2014	23-Sep-2014	12-Mar-2015	12-Mar-2015	12-Mar-2015	28-Nov-2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2009 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-2035 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-2035 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2019 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2024 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	13-Sep-2021 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2025 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar and 17-Sep each year after first call date	4-Mar and 4-Sep each year after first call date	12-Apr and 12-Oct each year after first call date	23-Mar and 23-Sep each year after first call date	23-Mar and 23-Sep each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date	12-Mar each year after first call date
	Coupons/dividends									
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed	Fixed

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1, cont

Additional Tier 1 instrument										
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No	No
37	If yes, specify non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments							
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 167m	EUR 74m	EUR 446m (44.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 485m (64.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 699m (67.1 per cent of Nominal amount, <5 yrs to maturity)	EUR 783m (93.9 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	USD 200m / EUR 167m	JPY 10,000m / EUR 74m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,042m	USD 1,000m / EUR 834m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	04-Nov-1986	22-Aug-2001	26-Mar-2010	29-Sep-2010	13-May-2011	21-Sep-2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26-Mar-2020	29-Mar-2021	13-May-2021	21-Sep-2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	18-Nov-1991 In addition tax call 100 per cent of nominal amount	26-Feb-2029 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18-May and 18-Nov each year after first call date	26-Feb and 26-Aug each year after first call date	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

	Tier 2 instruments					
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
	Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 173m	EUR 233m	EUR 111m	EUR 746m	EUR 993m
9	Nominal amount of instrument	SEK 1,700m / EUR 173m	SEK 2,300m / EUR 234m	JPY 15,000m / EUR 111m	EUR 750m	EUR 1,000m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015	07-Sep-2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025	07-Sep-2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call 100 per cent of nominal amount	07-Sep-2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar, 17-Jun, 17-Sep and 17-Dec each year after first call date	17-Sep each year after first call date	N/A	10-Nov each year after first call date	7-Sep each year after first call date

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments							
Coupons/dividends							
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4.50%	4.00%	4.875%	4.250%
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	Yes	Yes	No	No	No	No
37	If yes, specify non-compliant features	No explicit language requesting FSA approval for redemption	Step-up	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments						
Coupons/dividends						
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1.160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

Specification of group undertakings 31 December 2017

Owner	Company name	Voting power of holding, %	Domicile	Accounting Consolidation method
Nordea Bank AB (publ)	**Nordea Finance Finland Ltd**	**100**	**Finland**	**Acquisition method**
	Nordea Mortgage Bank Plc	100	Finland	Acquisition method
	Nordea Funds Ltd	100	Finland	Acquisition method
	Automatia Pankkiautomaatit Oy	33	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Acquisition method
Nordea Bank AB (publ)	**Nordea Eiendomskreditt AS**	**100**	**Norway**	**Acquisition method**
	Nordea Finans Norge AS	100	Norway	Acquisition method
	Eksportfinans ASA	23	Norway	Equity method
	Nordea Utvikling AS	100	Norway	Acquisition method
Nordea Utvikling AS	Tomteutvikling Norge AS	100	Norway	Acquisition method
Nordea Bank AB (publ)	**Nordea Finans Danmark A/S**	**100**	**Denmark**	**Acquisition method**
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Acquisition method
	LR-Realkredit A/S	39	Denmark	Equity method
	Fionia Asset Company A/S	100	Denmark	Acquisition method

G38. Capital adequacy, cont.

Owner	Company name	Voting power of holding, %	Domicile	Accounting Consolidation method
Nordea Finans Danmark A/S	BH Finance K/S	100	Denmark	Acquisition method
	NAMIT 10 K/S	100	Denmark	Acquisition method
	UL Transfer ApS	100	Denmark	Acquisition method
	DT Finance K/S	100	Denmark	Acquisition method
	Tide Leasing 2012 K/S	100	Denmark	Acquisition method
	BAAS 2012 K/S	100	Denmark	Acquisition method
Fiona Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Denmark	Acquisition method
Nordea Bank AB (publ)	**LLC Promyshlennaya Kompaniya Vestkon**	**100**	**Russia**	**Acquisition method**
Promyshlennaya Kompaniya Vestkon / Nordea Bank AB (publ)	Joint Stock Company Nordea Bank	100	Russia	Acquisition method
Joint Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Acquisition method
Nordea Bank AB (publ)	**Nordea Hypotek AB (publ)**	**100**	**Sweden**	**Acquisition method**
	Nordea Finans Sverige AB (publ)	100	Sweden	Acquisition method
	Nordea Asset Management Holding AB	100	Sweden	Acquisition method
	Bankomat AB	20	Sweden	Equity method
	Getswish AB	20	Sweden	Equity method
	Luminor Group AB	49.9	Sweden	Equity method
Nordea Asset Management Holding AB	Nordea Investment Management AB	100	Sweden	Acquisition method
	Nordea Investment Funds S.A.	100	Luxembourg	Acquisition method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Acquisition method
	Nordea Investment Management AG	100	Germany	Acquisition method
Nordea Finans Sweden, Finland, Norway and Denmark	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ)	**Nordea Bank S.A.**	**100**	**Luxembourg**	**Acquisition method**

G39. Classification of financial instruments

Assets

31 Dec 2017, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
			Held for trading	Designated at fair value through profit or loss					
Cash and balances with central banks	43,081	–	–	–	–	–	–	–	43,081
Loans to central banks	4,487	–	309	–	–	–	–	–	4,796
Loans to credit institutions	6,768	–	1,824	–	–	–	–	–	8,592
Loans to the public	235,525	–	21,852	52,781	–	–	–	–	310,158
Interest-bearing securities	–	3,093	27,825	8,034	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	–	6,489	–	–	–	–	–	6,489
Shares	–	–	5,254	11,926	–	–	–	–	17,180
Assets in pooled schemes and unit-linked investment contracts	–	–	–	25,728	–	–	151	–	25,879
Derivatives	–	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	1,235	–	1,235
Intangible assets	–	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	–	118	–	118
Current tax assets	–	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	–	250	–	250
Other assets	1,523	–	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	–	22,186	22,186
Total	**292,546**	**3,093**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**

Liabilities

31 Dec 2017, EURm	Financial liabilities at fair value through profit or loss		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
	Held for trading	Designated at fair value through profit or loss					
Deposits by credit institutions	5,905	–	–	34,078	–	–	39,983
Deposits and borrowings from the public	9,075	29	–	163,330	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	26,333	–	–	–	–	26,333
Liabilities to policyholders	–	3,486	–	–	15,926	–	19,412
Debt securities in issue[1]		56,603	–	122,511	–	–	179,114
Derivatives[1]	41,607	–	1,106	–	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,450	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	24,421	–	–	2,833	1,261	–	28,515
Accrued expenses and prepaid income	–	–	–	246	1,357	–	1,603
Deferred tax liabilities	–	–	–	–	722	–	722
Provisions	–	–	–	–	329	–	329
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	–	–	–	8,987	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total	**81,008**	**86,451**	**1,106**	**333,435**	**20,265**	**26,031**	**548,296**

1) During the year Nordea has reclassified issued structured bonds classified as Debt securities in issue on the balance sheet of EUR 4,986m from Held for trading to Designated at fair value through profit or loss within Financial liabilities at fair value through profit or loss. The reclassification has been made in order to better reflect the purpose of the instruments. There is no change in measurement. As from 2017 embedded derivatives are presented together with the host bonds as Debt securities in issue.

G39. Classification of financial instruments, cont.

Assets

31 Dec 2016, 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 associated undertakings / joint ventures	Assets held for sale	Total
Cash and balances with central banks	32,099	–	–	–	–	–	–	–	32,099
Loans to central banks	11,135	–	100	–	–	–	–	–	11,235
Loans to credit institutions	6,371	–	2,655	–	–	–	–	–	9,026
Loans to the public	241,341	–	23,712	52,636	–	–	–	–	317,689
Interest-bearing securities	–	3,095	34,842	17,469	–	32,295	–	–	87,701
Financial instruments pledged as collateral	–	–	5,108	–	–	–	–	–	5,108
Shares	–	–	1,904	19,620	–	–	–	–	21,524
Assets in pooled schemes and unit-linked investment contracts	–	–	–	22,963	–	–	139	–	23,102
Derivatives	–	–	67,438	–	2,521	–	–	–	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk	178	–	–	–	–	–	–	–	178
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	588	–	588
Intangible assets	–	–	–	–	–	–	3,792	–	3,792
Properties and equipment	–	–	–	–	–	–	566	–	566
Investment properties	–	–	–	–	–	–	3,119	–	3,119
Deferred tax assets	–	–	–	–	–	–	60	–	60
Current tax assets	–	–	–	–	–	–	288	–	288
Retirement benefit assets	–	–	–	–	–	–	306	–	306
Other assets	2,833	–	15,153	–	–	–	987	–	18,973
Prepaid expenses and accrued income	966	–	–	–	–	–	483	–	1,449
Assets held for sale	–	–	–	–	–	–	–	8,897	8,897
Total	**294,923**	**3,095**	**150,912**	**112,688**	**2,521**	**32,295**	**10,328**	**8,897**	**615,659**

Liabilities

31 Dec 2016, 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	Liabilities held for sale	Total
Deposits by credit institutions	8,145	53	–	29,938	–	–	38,136
Deposits and borrowings from the public	5,985	2,022	–	166,021	–	–	174,028
Deposits in pooled schemes and unit-linked investment contracts	–	23,580	–	–	–	–	23,580
Liabilities to policyholders	–	3,527	–	–	37,683	–	41,210
Debt securities in issue	6,340	48,849	–	136,561	–	–	191,750
Derivatives	66,995	–	1,641	–	–	–	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,466	–	–	2,466
Current tax liabilities	–	–	–	–	487	–	487
Other liabilities	17,721	–	–	4,678	2,014	–	24,413
Accrued expenses and prepaid income	–	–	–	290	1,468	–	1,758
Deferred tax liabilities	–	–	–	–	830	–	830
Provisions	–	–	–	–	306	–	306
Retirement benefit liabilities	–	–	–	–	302	–	302
Subordinated liabilities	–	–	–	10,459	–	–	10,459
Liabilities held for sale	–	–	–	–	–	4,888	4,888
Total	**105,186**	**78,031**	**1,641**	**350,413**	**43,090**	**4,888**	**583,249**

G39. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2017	31 Dec 2016
Carrying amount	52,781	52,636
Maximum exposure to credit risk	52,781	52,636
Carrying amount of credit derivatives used to mitigate the credit risk	–	–

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

Changes in fair values of financial liabilities attributable to changes in credit risk

The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk are issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 51,616m (EUR 48,849m), the funding of the Markets operation, EUR 5,016m (EUR 2,075m) deposits linked to the investment return of separate assets, EUR 4,317m (EUR 4,340m) and investment contracts and pooled schemes in Life, EUR 25,502m (EUR 22,767m). The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant. The value of the investment contracts in Life and assets linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

The fair value of bonds issued by Nordea Kredit Realkreditaktieselskab increased by EUR 78m (decreased EUR 119m) in 2017 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 496m (decrease EUR 574m). The method used to estimate the amount of changes in fair value attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds.

For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

Changes in fair values of financial assets attributable to changes in credit risk

Lending designated at fair value through profit or loss exposed to changes in credit risk consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 52,641m (EUR 52,501m) and lending in the Markets operation, EUR 140m (EUR 135m). The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 22m (increased EUR 24m) in 2017 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 125m (decrease EUR 148m). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant. Also instruments classified as "Other assets" and "Prepaid expenses and accrued income" are of such a short-term nature that the impact from changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2017		
Financial liabilities designated at fair value through profit or loss	86,451	99,567
2016		
Financial liabilities designated at fair value through profit or loss	78,031	76,699

Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

G40. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2017		31 Dec 2016	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	43,081	43,081	32,099	32,099
Loans	323,709	325,372	338,128	337,442
Interest-bearing securities	75,294	75,473	87,701	87,892
Financial instruments pledged as collateral	6,489	6,489	5,108	5,108
Shares	17,180	17,180	21,524	21,524
Assets in pooled schemes and unit-linked investment contracts	25,728	25,728	22,963	22,963
Derivatives	46,111	46,111	69,959	69,959
Other assets	11,795	11,795	17,986	17,986
Prepaid expenses and accrued income	999	999	966	966
Total	**550,386**	**552,228**	**596,434**	**595,939**
Financial liabilities				
Deposits and debt instruments	401,968	403,488	416,839	417,528
Deposits in pooled schemes and unit-linked investment contracts	26,333	26,333	3,527	3,527
Liabilities to policyholders	3,486	3,486	23,580	23,580
Derivatives	42,713	42,713	68,636	68,636
Other liabilities	27,254	27,254	22,399	22,399
Accrued expenses and prepaid income	246	246	290	290
Total	**502,000**	**503,520**	**535,271**	**535,960**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. 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" below.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2017, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	309	–	–	–	309
Loans to credit institutions	–	–	1,824	–	–	–	1,824
Loans to the public	–	–	74,633	–	–	–	74,633
Interest-bearing securities[2]	27,889	3,469	50,633	4,555	168	5	78,690
Shares	13,629	8,986	1,967	1,965	1,584	927	17,180
Assets in pooled schemes and unit-linked investment contracts	24,016	20,120	1,521	1,521	342	342	25,879
Derivatives	56	–	44,544	242	1,511	–	46,111
Investment properties	–	–	–	–	1,448	1,437	1,448
Other assets	–	–	10,272	–	–	–	10,272
Total	**65,590**	**32,575**	**185,703**	**8,283**	**5,053**	**2,711**	**256,346**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	5,905	14	–	–	5,905
Deposits and borrowings from the public	–	–	9,104	–	–	–	9,104
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	22,016	–	–	26,333
Liabilities to policyholders	–	–	3,486	3,486	–	–	3,486
Debt securities in issue	18,004	–	34,590	–	4,009	–	56,603
Derivatives	41	–	41,614	3	1,058	–	42,713
Other liabilities	8,701	–	15,720	–	–	–	24,421
Total	**26,746**	**–**	**136,752**	**25,519**	**5,067**	**–**	**168,565**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 6,489m relates to the balance sheet item Financial instruments pledged as collateral.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	100	–	–	–	100
Loans to credit institutions	–	–	2,655	–	–	–	2,655
Loans to the public	–	–	76,348	–	–	–	76,348
Interest-bearing securities[2]	51,384	12,376	38,120	6,231	210	38	89,714
Shares	17,278	15,904	461	431	3,785	3,185	21,524
Assets in pooled schemes and unit-linked investment contracts	21,314	17,409	1,633	1,633	155	155	23,102
Derivatives	69	–	68,207	807	1,683	–	69,959
Investment properties	–	–	–	–	3,119	3,104	3,119
Other assets	–	–	15,153	83	–	–	15,153
Total	**90,045**	**45,689**	**202,677**	**9,185**	**8,952**	**6,482**	**301,674**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,198	996	–	–	8,198
Deposits and borrowings from the public	–	–	8,007	–	–	–	8,007
Deposits in pooled schemes and unit-linked investment contracts	–	–	23,580	19,240	–	–	23,580
Liabilities to policyholders	–	–	3,527	3,527	–	–	3,527
Debt securities in issue[3]	48,849	–	6,340	–	–	–	55,189
Derivatives[3]	95	8	67,258	805	1,283	–	68,636
Other liabilities	6,473	–	11,248	83	–	–	17,721
Total	**55,417**	**8**	**128,158**	**24,651**	**1,283**	**–**	**184,858**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 5,108m relates to the balance sheet item Financial instruments pledged as collateral.
3) 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 as Derivatives. The total fair value of the structured bonds is EUR 6,371m, of which EUR 6,404m is categorised into Level 2 and a net negative fair value of EUR 33m into Level 3 in the fair value hierarchy.

Determination of fair value 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 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 most 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

G40. Assets and liabilities at fair value, cont.

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 is 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 vanilla derivatives standard models such as Black-Scholes are used for valuation. For more exotic OTC derivatives, more complex valuation models are used. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model parameters are observable in active markets.

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 Invest Europe (formerly known as EVCA). The Invest Europe guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

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

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). When calculating FFVA, Nordea uses an estimated funding curve which reflects the market cost of funding.

Another important part of the portfolio adjustments 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.

Significant changes to valuation methodologies during the year relate mainly to changes to the CVA/DVA methodology including modelling of the joint probability of default for highly correlated counterparts and a development of the FFVA methodology to better reflect the market price of funding.

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, Nordea transferred debt securities in issue of EUR 33,613m and interest-bearing securities of EUR 1,046m from Level 1 to Level 2 of the fair value hierarchy. The reason for the reclassification is an alignment of the classification processes for the government bonds and mortgage bonds across different business areas within Nordea.

During the year, Nordea also transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 2,129m (EUR 674m) from Level 1 to Level 2 and EUR 1,937m (EUR 191m) from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred derivative assets of EUR 24m (EUR 36m) and derivatives liabilities of EUR 14m (EUR 44m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

G40. Assets and liabilities at fair value, cont.

Movements in Level 3

2017, EURm	1 Jan 2017	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	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2017
Interest-bearing securities	210	1	7	–	28	–24	–1	–	–32	–20	–1	168
- of which Life	38	–	–	–	20	–	–	–	–32	–20	–1	5
Shares	3,785	9	–78	2	878	–692	–39	243	–47	–2,449	–28	1,584
- of which Life	3,185	7	–141	–	711	–521	–38	243	–47	–2,449	–23	927
Assets in pooled schemes and unit-linked investment contracts	155	–	6	–	37	–2	–2	152	–4	–	–	342
- of which Life	155	–	6	–	37	–2	–2	152	–4	–	–	342
Derivatives (net)	400	–152	–45	–	–	–	152	98	–1	–	1	453
Investment properties	3,119	–4	–7		425	–148			–6	–1,879	–52	1,448
- of which Life	3,104		–6		420	–145			–6	–1,879	–51	1,437
Debt securities in issue	–	–	–	–	–	–	–	4,009	–	–	–	4,009

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer avaliable. Transfers between levels are considered to have occurred 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 G5). Assets and liabilities related to derivatives are presented net. As from 2017 embedded derivatives in issued structured bonds are presented together with the host bonds as Debt securities in issue. The combined instruments are generally classified as Level 3. Up unil 2016 the host bonds and embedded derivatives were presented separately on the balance sheet and in the fair value hierachy the host bonds in Level 2 and embedded derivatives generally in Level 3. The change in classification of the host bonds is presented as a transfer into Level 3.

2016, EURm	1 Jan 2016	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	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2016
Interest-bearing securities	250	1	–18	–	4	–5	–1	1	– 21	–	–1	210
- of which Life	45	–	–2	–	–	–3	–	–		–	–2	38
Shares	4,854	67	–52	–	2,799	–1,793	–80	541	–2,565	–	14	3,785
- of which Life	4,188	9	–54	–	2,703	–1,573	–78	541	–2,565	–	14	3,185
Assets in pooled schemes and unit-linked investment contracts	135	–	21	–	6	–7	–	–	–	–	–	155
- of which Life	135	–	21	–	6	–7	–	–	–	–	–	155
Derivatives (net)	131	32	133	–	–	–	–32	8	127	–	1	400
Investment properties	3,054	0	60	–	378	–350	–	–	1	–64	40	3,119
- of which Life	2,974	–	60	–	365	–336	–	–	1	–	40	3,104

The valuation processes for fair value measurements
Financial instruments

The valuation 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 business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by separate 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 the Group Valuation Committee as decision making body.

G40. Assets and liabilities at fair value, cont.

The verification of the correctness of prices and other parameters is for most products 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 adjustment 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 continous basis.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the business areas. These teams are responsible for 2nd line of defence oversight for valuations with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2017, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	162	–	Discounted cash flows	Credit spread	–1/1
Corporates	6	5	Discounted cash flows	Credit spread	–0/0
Total	**168**	**5**			**–1/1**
Shares					
Private equity funds	714	450	Net asset value[3]		–80/80
Hedge funds	118	88	Net asset value[3]		–10/10
Credit Funds	405	202	Net asset value/market consensus[3]		–28/28
Other funds	245	152	Net asset value/fund prices[3]		–21/21
Other[4]	293	226	–		–13/13
Total	**1,775**	**1,118**			**–152/152**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	76	–	Option model	Correlations	–14/7
				Volatilities	
				Dividend	
Foreign exchange derivatives	–2	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	25	–	Credit derivative model	Correlations	–14/12
				Recovery rates	
				Volatilities	
Other	22	–	Option model	Correlations	–0/0
				Volatilities	
Total	**453**	**–**			**–41/33**
Debt securities in issue					
Issued structured bonds	4,009	–	Credit derivative model	Correlations	–20/20
				Recovery rates	
				Volatilities	
Total	**4,009**	**–**			**–20/20**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) 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 Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 31% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 191m related to assets in pooled schemes and unit-linked investment.

The table above shows, 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 only the net impact is disclosed in the table. The ranges disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

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 of 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.

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2016, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	171	–	Discounted cash flows	Credit spread	–2/2
Corporates	39	38	Discounted cash flows	Credit spread	–2/2
Total	**210**	**38**			**–4/4**
Shares					
Private equity funds	1,955	1,729	Net asset value[3]		–230/230
Hedge funds	390	311	Net asset value[3]		–32/32
Credit Funds	1,224	1,047	Net asset value/market consensus[3]		–77/77
Other funds	99	64	Net asset value/fund prices[3]		–13/13
Other[4]	133	50	–		–11/11
Total	**3,801**	**3,201**			**–363/363**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–20/17
				Volatilities	
Equity derivatives	74	–	Option model	Correlations	–18/11
				Volatilities	
				Dividend	
Foreign exchange derivatives	–6	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–32	–	Credit derivative model	Correlations	–13/10
				Recovery rates	
				Volatilities	
Other	32	–	Option model	Correlations	+/–0
				Volatilities	
Total	**400**				**–51/38**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) 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 Invest Europe (formerly called EVCA). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 36% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 16m related to assets in pooled schemes and unit-linked investment.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2017, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	530	530	Discounted cash flows	Market rent		
				Commercial	273 EUR/m^2	273 EUR/m^2
				Office	194–737 EUR/m^2	283 EUR/m^2
				Apartment	206 EUR/m^2	206 EUR/m^2
				Other	128 EUR/m^2	128 EUR/m^2
				Yield requirement		
				Commercial	5.7% – 5.7%	5.7%
				Office	3.9% – 6.4%	5.1%
				Apartment	4.5% – 4.5%	4.5%
				Other	6.0% – 9.5%	7.0%
Finland[3]	839	839	Discounted cash flows[2]	Market rent		
				Commercial	150–240 EUR/m^2	195 EUR/m^2
				Office	98–300 EUR/m^2	199 EUR/m^2
				Apartment	189–297 EUR/m^2	243 EUR/m^2
				Other	225–279 EUR/m^2	252 EUR/m^2
				Yield requirement		
				Commercial	5.8% – 7.0%	6.4%
				Office	4.5% – 8.3%	6.4%
				Apartment	3.3% – 4.8%	4.0%
				Other	4.5% – 6.3%	5.4%
Sweden	219	219	Discounted cash flows[2]	Market rent		
				Commercial	114–213 EUR/m$_2$	149 EUR/m^2
				Office	238–239 EUR/m^2	239 EUR/m^2
				Apartment	167–172 EUR/m^2	169 EUR/m^2
				Other	67–82 EUR/m^2	69 EUR/m^2
				Yield requirement		
				Commercial	5.5% – 6.5%	6.0%
				Office	4.8% – 5.1%	4.9%
				Apartment	3.8% – 4.8%	4.3%
				Other	5.8% – 7.3%	6.1%
Other	11		Discounted cash flows	–	–	–
Total	**1,599**	**1,588**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 151m related to investment properties in pooled schemes and unit-linked investments in Life.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2016, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,761	1,751	Discounted cash flows	Market rent		
				Commercial	75–320 EUR/m²	179 EUR/m²
				Office	32–332 EUR/m²	111 EUR/m²
				Apartment	88–250 EUR/m²	174 EUR/m²
				Yield requirement		
				Commercial	4.9% – 9.5%	7.5%
				Office	3.9% – 9.3%	6.0%
				Apartment	3.5% – 6.0%	4.2%
Norway	568	567	Discounted cash flows	Market rent		
				Commercial	47–294 EUR/m²	163 EUR/m²
				Office	156–792 EUR/m²	293 EUR/m²
				Apartment	187 EUR/m²	187 EUR/m²
				Other	29–190 EUR/m²	122 EUR/m²
				Yield requirement		
				Commercial	5.6% – 6.0%	5.8%
				Office	4.0% – 7.5%	5.3%
				Apartment	4.6% – 4.6%	4.6%
				Other	5.3% – 8.5%	7.3%
Finland[3]	725	725	Discounted cash flows[2]	Market rent		
				Commercial	136–324 EUR/m²	210 EUR/m²
				Office	126–300 EUR/m²	187 EUR/m²
				Apartment	182–300 EUR/m²	240 EUR/m²
				Other	94–117 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.9%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	3.5% – 5.0%	4.3%
				Other	6.2% – 8.0%	7.1%
Sweden	200	200	Discounted cash flows[2]	Market rent		
				Commercial	112–190 EUR/m²	157 EUR/m²
				Office	237 EUR/m²	237 EUR/m²
				Apartment	144–169 EUR/m²	151 EUR/m²
				Other	69 EUR/m²	69 EUR/m²
				Yield requirement		
				Commercial	5.7% – 6.8%	6.0%
				Office	4.9% – 5.0%	4.9%
				Apartment	3.2% – 4.0%	3.5%
				Other	7.0% – 7.3%	7.1%
Other	4	–	Discounted cash flows	–	–	–
Total	**3,258**	**3,243**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 139m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the trans-

G40. Assets and liabilities at fair value, cont.

action 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 G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

Deferred day 1 profit – derivatives, net

EURm	2017	2016
Amount at beginning of year	23	34
Deferred profit/loss on new transactions	89	19
Recognised in the income statement during the year[1]	–54	–30
Amount at end of year	**58**	**23**

1) Of which EUR –2m (EUR –14m) due to transfers of derivatives from Level 3 to Level 2.

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

	31 Dec 2017		31 Dec 2016		
EURm	Carrying amount	Fair value	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	43,081	43,081	32,099	32,099	3
Loans	246,943	248,606	259,025	258,339	3
Interest-bearing securities	3,093	3,272	3,095	3,286	1,2
Other assets	1,523	1,523	2,833	2,833	3
Prepaid expenses and accrued income	999	999	966	966	3
Total	**295,639**	**297,481**	**298,018**	**297,523**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	330,356	331,876	345,445	346,134	3
Other liabilities	2,833	2,833	4,678	4,678	3
Accrued expenses and prepaid income	246	246	290	290	3
Total	**333,435**	**334,955**	**350,413**	**351,102**	

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 Personal Banking, Commercial & Business 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 3,272m (EUR 3,286m), of which EUR 92m (EUR 0m) is categorised in Level 1 and EUR 3,180m (EUR 3,286m) in Level 2. 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 the 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.

G41. Financial instruments set off on balance or subject to netting agreements

31 Dec 2017, 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	171,059	–125,509	45,550	–29,391	–	–8,868	7,291
Reverse repurchase agreements	28,926	–10,107	18,819	–	–18,819	–	–
Securities borrowing agreements	5,781	–	5,781	–	–5,781	–	–
Total	**205,766**	**–135,616**	**70,150**	**–29,391**	**–24,600**	**–8,868**	**7,291**

31 Dec 2017, 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	167,406	–125,509	41,897	–29,391	–	–9,611	2,895
Repurchase agreements	23,075	–10,107	12,968	–	–12,968	–	–
Securities lending agreements	3,917	–	3,917	–	–3,917	–	–
Total	**194,398**	**–135,616**	**58,782**	**–29,391**	**–16,885**	**–9,611**	**2,895**

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.

31 Dec 2016, 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	242,279	–172,626	69,653	–49,528	–	–7,547	12,578
Reverse repurchase agreements	31,772	–9,991	21,781	–	–21,781	–	–
Securities borrowing agreements	4,547	–	4,547	–	–4,547	–	–
Total	**278,598**	**–182,617**	**95,981**	**–49,528**	**–26,328**	**–7,547**	**12,578**

31 Dec 2016, 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	239,120	–172,626	66,494	–49,528	–	–8,031	8,935
Repurchase agreements	21,838	–9,991	11,847	–	–11,847	–	–
Securities lending agreements	2,245	–	2,245	–	–2,245	–	–
Total	**263,203**	**–182,617**	**80,586**	**–49,528**	**–14,092**	**–8,031**	**8,935**

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.

G41. 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 in the case of default by its counter parties, in any calculations involving counterparty credit risk.

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

G42. Disposal groups held for sale

Balance sheet - Condensed[1]

EURm	2017	2016
Assets		
Loans to credit institutions	394	34
Loans to the public	–	8,556
Interest-bearing securities	6,051	58
Financial instruments pledged as collateral	1,477	–
Shares	10,361	0
Derivatives	1,184	2
Investments	267	5
Investment property	1,879	44
Other assets	573	198
Total assets held for sale	**22,186**	**8,897**
Liabilities		
Deposits by credit institutions	643	22
Deposits and borrowings from the public	–	4,776
Liabilities to policyholders	23,316	–
Derivativies	810	1
Current tax	921	12
Other liabilities	341	77
Total liabilities held for sale	**26,031**	**4,888**

1) Includes the external assets and liabilities held for sale.

Assets and liabilities held for sale as of 31 December 2017 relate to Nordea's earlier announced decision to sell additional 45 per cent of the shares in Danish Nordea Liv & Pension, livforsikringsselskab A/S. The sale is conditional on approval by the relevant authorities anticipated in the first quarter 2018. The individual assets and liabilities will be derecognised in Nordea's balance sheet, and an investment in an associated company recognised from Nordeas's balance sheet, when all approvals have been received and the transaction has been closed. The disposal group is included in the segment "Life & Pension unallocated" in Note G2 "Segment reporting".

Assets and liabilities held for sale as of 31 December 2016 related to Nordea's decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities were derecognised from Nordea's balance sheet, and an investment in an associated company was recognised, at closing in Q4 2017. The disposal group is included in the "Other operating segments" in Note G2 " Segment reporting".

On 25 January Nordea announced its intention to divest a part of its Luxembourg-based private banking business. The closing of the transaction is expected during the second half of 2018 and remain subject to applicable regulatory approvals and a number of conditions. The disposal group was not reclassified to "Assets/liabilities held for sale" in 2017 due to that the transaction was at the end of 2017 not considered highly probable. The disposal group consist of Loans to the public of EUR 1.3bn and Deposits and borrowings from the public of EUR 2.6bn. The disposal group is included in the operating segment Private Banking within Wealth Management in Note G2.

G43. Transferred assets and obtained collaterals

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

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

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

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

As both repurchase agreements and securities lending transactions result in that securities are returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterparts in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

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

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Interest-bearing securities	6,489	5,108
Securities lending agreements		
Shares	–	–
Total	**6,489**	**5,108**

Liabilities associated with the assets

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Deposits by credit institutions	3,670	2,475
Deposits and borrowings from the public	2,896	2,491
Securities lending agreements		
Deposits by credit institutions	–	–
Total	**6,566**	**4,966**
Net	**–77**	**142**

G43. Transferred assets and obtained collaterals, cont.

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2017	31 Dec 2016
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	28,706	30,002
- of which repledged or sold	16,263	16,129
Securities borrowing agreements		
Received collaterals which can be repledged or sold	7,138	4,552
- of which repledged or sold	–	47
Total	**35,844**	**34,554**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 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		43,081	–	43,081	32,099	–	32,099
Loans to central banks	G13	4,796	–	4,796	11,235	–	11,235
Loans to credit institutions	G13	7,143	1,449	8,592	4,236	4,790	9,026
Loans to the public	G13	85,059	225,099	310,158	71,245	246,444	317,689
Interest-bearing securities	G14	22,594	52,700	75,294	19,131	68,570	87,701
Financial instruments pledged as collateral	G15	3,496	2,993	6,489	1,194	3,914	5,108
Shares	G16	6,680	10,500	17,180	1,410	20,114	21,524
Assets in pooled schemes and unit-linked investment contracts	G17	16,832	9,047	25,879	7,775	15,327	23,102
Derivatives	G18	8,674	37,437	46,111	12,764	57,195	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk		13	150	163	31	147	178
Investments in associated undertakings and joint ventures	G19	–	1,235	1,235	0	588	588
Intangible assets	G20	89	3,894	3,983	102	3,690	3,792
Properties and equipment		81	543	624	6	560	566
Investment properties	G22	8	1,440	1,448	3	3,116	3,119
Deferred tax assets	G11	54	64	118	30	30	60
Current tax assets		121	–	121	288	–	288
Retirement benefit assets	G32	0	250	250	2	304	306
Other assets	G23	12,391	50	12,441	18,914	59	18,973
Prepaid expenses and accrued income	G24	1,121	342	1,463	1,098	351	1,449
Assets held for sale	G42	22,186	–	22,186	8,897	–	8,897
Total assets		**234,419**	**347,193**	**581,612**	**190,460**	**425,199**	**615,659**
Deposits by credit institutions	G25	35,438	4,545	39,983	35,750	2,386	38,136
Deposits and borrowings from the public	G26	148,706	23,728	172,434	169,982	4,046	174,028
Deposits in pooled schemes and unit-linked investment contracts	G17	5,632	20,701	26,333	9,327	14,253	23,580
Liabilities to policyholders	G27	2,086	17,326	19,412	2,274	38,936	41,210
Debt securities in issue	G28	64,930	114,184	179,114	64,406	127,344	191,750
Derivatives	G18	7,462	35,251	42,713	14,243	54,393	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk		571	879	1,450	1,168	1,298	2,466
Current tax liabilities		389	–	389	487	–	487
Other liabilities	G29	28,290	225	28,515	24,271	142	24,413

G44. Maturity analysis for assets and liabilities, cont.

Expected maturity, cont.

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Accrued expenses and prepaid income	G30	1,547	56	1,603	1,718	40	1,758
Deferred tax liabilities	G11	94	628	722	75	755	830
Provisions	G31	289	40	329	209	97	306
Retirement benefit liabilities	G32	11	270	281	5	297	302
Subordinated liabilities	G33	943	8,044	8,987	1,590	8,869	10,459
Liabilities held for sale	G42	26,031	–	26,031	4,888	–	4,888
Total liabilities		**322,419**	**225,877**	**548,296**	**330,393**	**252,856**	**583,249**

Contractual undiscounted cash flows

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	55,643	75,852	47,530	145,601	222,431	547,057
Non interest-bearing financial assets	–	–	–	–	87,092	87,092
Non-financial assets	–	–	–	–	9,040	9,040
Total assets	**55,643**	**75,852**	**47,530**	**145,601**	**318,563**	**643,189**
Interest-bearing financial liabilities	142,574	95,830	42,631	103,679	41,550	426,264
Non interest-bearing financial liabilities	–	–	–	–	138,692	138,692
Non-financial liabilities and equity	–	–	–	–	53,581	53,581
Total liabilities and equity	**142,574**	**95,830**	**42,631**	**103,679**	**233,823**	**618,537**
Derivatives, cash inflow	–	551,182	142,235	241,873	15,695	950,985
Derivatives, cash outflow	–	547,892	139,470	246,203	16,221	949,786
Net exposure	**–**	**3,290**	**2,765**	**–4,330**	**–526**	**1,199**
Exposure	**–86,931**	**–16,688**	**7,664**	**37,592**	**84,214**	**25,851**
Cumulative exposure	**–86,931**	**–103,619**	**–95,955**	**–58,363**	**25,851**	**–**

31 Dec 2016, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	53,094	76,815	43,924	159,816	240,561	574,210
Non interest-bearing financial assets	–	–	–	–	74,321	74,321
Non-financial assets	–	–	–	–	10,328	10,328
Total assets	**53,094**	**76,815**	**43,924**	**159,816**	**325,210**	**658,859**
Interest-bearing financial liabilities	150,378	94,422	48,371	106,640	48,356	448,167
Non interest-bearing financial liabilities	–	–	–	–	127,851	127,851
Non-financial liabilities and equity	–	–	–	–	75,500	75,500
Total liabilities and equity	**150,378**	**94,422**	**48,371**	**106,640**	**251,707**	**651,518**
Derivatives, cash inflow	–	576,857	155,966	229,126	29,417	991,366
Derivatives, cash outflow	–	574,442	158,633	229,672	28,899	991,646
Net exposure	**–**	**2,415**	**–2,667**	**–546**	**518**	**–280**
Exposure	**–97,284**	**–15,192**	**–7,114**	**52,630**	**74,021**	**7,061**
Cumulative exposure	**–97,284**	**–112,476**	**–119,590**	**–66,960**	**7,061**	**–**

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 74,545m (EUR 78,005m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 17,335m (EUR 21,034m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets				
Loans	170	438	–	–
Interest-bearing securities	0	24	–	–
Derivatives	2	46	–	–
Investments in associated undertakings	1,235	588	–	–
Total assets	**1,407**	**1,096**	**–**	**–**
Liabilities				
Deposits	17	65	77	36
Derivatives	0	26	–	–
Total liabilities	**17**	**91**	**77**	**36**
Off balance[2]	**2,075**	**3,428**	**–**	**–**

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	2017	2016	2017	2016
Net interest income	1	1	–	–
Net fee and commission income	3	3	–	–
Net result from items at fair value	0	51	–	–
Profit before loan losses	**4**	**55**	**–**	**–**

1) Shareholders with significant influence and close family members to key management personell in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

2) Including nominal values on derivatives.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the accumulated negative fair value of the contract as of the balance sheet date amounts to approx EUR 23m. This agreement was terminated 31 December 2017 and the final payment of the Portfolio Performance Amount was paid 15 January 2018 including a termination fee.

G46. Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital Management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2017, which is available on www.nordea.com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report. The Pillar III report contains the disclosures required by the Capital Requirements Regulation (CRR). The Pillar III disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea. Credit risk exposures occur in different forms and are divided into the following types:

Exposure types[1]

EURm	31 Dec 2017	31 Dec 2016
On-balance sheet items	404,263	411,692
Off-balance sheet items	48,515	53,849
Securities financing	5,310	4,388
Derivatives	17,520	29,240
Exposure At Default (EAD)	**475,608**	**499,169**

1) Securitisation positions are included in the table.

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 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 into exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

G46. Credit risk disclosures, cont.

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 are excluded from the balance sheet, when on-balance sheet exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- 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:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- "Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing

The fair value of derivatives is recognised on the balance sheet 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[1]

EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items not according to CRR	Other	Balance sheet
31 Dec 2017						
Cash and balances with central banks	44,503	–	–	0	–1,422	43,081
Loans to credit institutions and central banks	9,396	2	3,951	218	–179	13,388
Loans to the public	293,240	–2	23,084	–3,059	–3,105	310,158
Interest-bearing securities and pledged instruments	52,482	18,272	–	11,028	–	81,782
Derivatives[2]	0	–	47,370	–1,259	–	46,111
Intangible assets	–	–	–	153	3,829	3,983
Other assets and prepaid expenses	5,831	20,691	–	55,968	620	83,109
Total assets	**405,452**	**38,963**	**74,405**	**63,049**	**–257**	**581,612**
Exposure at default[3]	**404,263**					
31 Dec 2016						
Cash and balances with central banks	32,192	–	–	–93	–	32,099
Loans to credit institutions and central banks	17,178	0	2,755	343	–16	20,260
Loans to the public	303,662	0	26,590	–13,031	468	317,689
Interest-bearing securities and pledged instruments	54,156	17,345	–	21,308	–	92,809
Derivatives[2]	–	–	71,147	–1,188	–	69,959
Intangible assets	0	–	–	357	3,435	3,792
Other assets and prepaid expenses	5,440	23,375	–	49,428	808	79,051
Total assets	**412,628**	**40,720**	**100,492**	**57,124**	**4,695**	**615,659**
Exposure at default[3]	**411,692**					

1) Securitisation positions are included in the table.
2) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
3) 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.

G46. Credit risk disclosures, cont.

Off-balance sheet items[1]

31 Dec 2017, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	18,978	42	–	19,020
Commitments	75,553	1,479	–	77,032
Total	**94,531**	**1,521**	**–**	**96,052**

31 Dec 2017, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	39,725	4,231	43,956	51%	22,426
Checking accounts	19,333	48	19,381	53%	10,189
Loan commitments	16,485	1,064	17,549	52%	9,167
Guarantees	17,783	–	17,783	36%	6,361
Other	1,205	–	1,205	31%	372
Total	**94,531**	**5,343**	**99,874**		**48,515**

31 Dec 2016, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	23,051	38	–	23,089
Commitments	78,271	1,163	–	79,434
Total	**101,322**	**1,201**	**–**	**102,523**

31 Dec 2016, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	48,900	1,277	50,177	53%	26,365
Checking accounts	16,204	3,913	20,117	54%	10,883
Loan commitments	13,089	2,507	15,596	47%	7,291
Guarantees	21,566	–	21,566	41%	8,778
Other	1,563	14	1,577	34%	532
Total	**101,322**	**7,711**	**109,033**		**53,849**

1) Securitisation positions are included in the table.

At year-end, 95% of the total credit risk original exposure was calculated using the IRB approach compared to 79% at year end 2016. The total IRB exposures consists mainly of corporate and retail exposures. The main driver of change during 2017 was the IRB sovereign roll out which occurred in the second quarter. This was partly offset by the transfer of the Baltic exposures to Luminor Bank which Nordea proportionally consolidates under the standardised approach.

G46. Credit risk disclosures, cont.

Exposure classes split by exposure type

31 Dec 2017, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,068	1,053	1,662	3,975	84,758
Institutions	33,719	817	2,475	5,422	42,433
Corporate	109,735	27,969	1,168	8,031	146,903
Retail[1]	167,876	17,051	2	79	185,008
Securitisation	6,813	1,586	–	–	8,399
Other	8,052	39	3	13	8,107
Total exposure	**404,263**	**48,515**	**5,310**	**17,520**	**475,608**

31 Dec 2016, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,537	898	810	4,967	85,212
Institutions	30,766	962	2,014	10,272	44,014
Corporate	115,663	34,914	1,275	13,492	165,344
Retail[1]	171,122	15,368	2	198	186,690
Securitisation	6,907	1,493	–	–	8,400
Other	8,697	214	287	311	9,509
Total exposure	**411,692**	**53,849**	**4,388**	**29,240**	**499,169**

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

31 Dec 2017, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	44,074	6,877	24,091	3,494	9,612	1,603	211	28,343	10,527	84,758
Institutions	32,515	14,795	184	6,261	11,275	48	128	525	9,217	42,433
Corporate	120,309	37,717	25,023	26,604	30,965	4,482	1,990	1,848	18,274	146,903
Retail[1]	180,117	52,072	41,651	30,566	55,828	1,322	14	213	3,342	185,008
Other	3,948	976	415	875	1,682	3,244	48	356	511	8,107
Total exposure[2]	**380,963**	**112,437**	**91,364**	**67,800**	**109,362**	**10,699**	**2,391**	**31,285**	**41,871**	**467,209**

31 Dec 2016, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	41,183	15,196	10,588	4,165	11,234	276	157	35,292	8,304	85,212
Institutions	26,855	11,693	133	5,008	10,021	8	245	685	16,221	44,014
Corporate	130,745	40,484	27,621	29,104	33,536	5,407	2,340	2,301	24,551	165,344
Retail[1]	180,536	52,401	40,129	31,530	56,476	3,476	240	4	2,434	186,690
Other	5,352	1,049	1,355	1,015	1,933	176	90	145	3,746	9,509
Total exposure[2]	**384,671**	**120,823**	**79,826**	**70,822**	**113,200**	**9,343**	**3,072**	**38,427**	**55,256**	**490,769**

1) Includes exposures secured by real estate.
2) Securitisation positions are not included in the table.

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 (statistical classification codes of economic activities in the European community). The corporate portfolio is well diversified between industry groups. The real estate management and investment is the industry group which has the largest share of total corporate exposures; together with the second largest corporate exposure industry group - other financial institutions – they account for 41% of total IRB corporate exposure. The retail portfolio consists mainly of residential mortgages classified under other, public and organisations industry group, which accounts for 98% of total retail IRB exposure. Between 2016 and 2017, the corporate portfolio decareased the most within shipping and offshore industry group. In the IRB retail portfolio, the counterparties classified as other, public and organisations continue to comprise the main part of the retail exposure class and drives the total increase in IRB retail exposures.

In the standardised approach, excluding Luminor, the decreased exposures were mainly explained by an IRB roll-out of sovereign exposures during 2017.

G46. Credit risk disclosures, cont.

Exposure split by industry sector[1]

EURm	31 Dec 2017	31 Dec 2016
Construction and engineering	6,136	6,399
Consumer durables (cars, appliances etc)	2,945	3,184
Consumer staples (food, agriculture etc)	11,570	12,271
Energy (oil, gas etc)	2,923	4,202
Health care and pharmaceuticals	1,425	1,623
Industrial capital goods	3,871	4,589
Industrial commercial services	15,276	14,342
IT software, hardware and services	1,826	1,811
Media and leisure	2,403	2,644
Metals and mining materials	997	1,160
Other financial institutions	60,322	65,060
Other materials (chemical, building materials etc)	5,336	6,303
Other, public and organisations	273,007	278,222
Paper and forest material	1,559	2,542
Real estate management and investment	44,964	45,534
Retail trade	10,960	12,788
Shipping and offshore	9,500	12,595
Telecommunication equipment	209	255
Telecommunication operators	1,452	1,727
Transportation	4,279	4,583
Utilities distribution and production	6,249	8,935
Total exposure	**467,209**	**490,769**

1) Securitisation positions are not included in the table.

At the end of 2017, the share of total exposure secured by eligible collateral remained stable at 44% (44%). The corresponding figure for the IRB portfolio was 45% (56%). The decrease is mainly driven by the inclusion of sovereign exposures, that utilise relatively less collateral than retail or corporate, in the IRB portfolio. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2017, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	86,588	84,758	522	893
Institutions	45,094	42,433	205	196
Corporate	184,070	146,903	10,849	60,677
Retail[1]	194,360	185,008	2,286	143,992
Other	8,570	8,107	41	52
Total exposure[2]	**518,682**	**467,209**	**13,903**	**205,810**

31 Dec 2016, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	85,311	85,212	631	0
Institutions	45,816	44,014	121	403
Corporate	205,698	165,344	10,969	69,018
Retail[1]	198,957	186,690	1,859	148,278
Other	10,087	9,509	21	60
Total exposure[2]	**545,869**	**490,769**	**13,601**	**217,759**

1) Includes exposures secured by real estate.
2) Securitisation positions are not included in the table.

Collateral distribution

The table presents the distribution of collateral used in the capital adequacy calculation process. The table shows that real estate collateral had the major share with a stable 74% (72%) of total eligible collateral. Commerical real estate decreased somewhat to 17% (18%). For the other collateral categories, the proportions remained relatively stable in 2017.

	31 Dec 2017	31 Dec 2016
Financial Collateral	1.2%	1.4%
Receivables	0.9%	1.0%
Residential Real Estate	73.7%	71.9%
Commercial Real Estate	16.6%	17.8%
Other Physical Collateral	7.6%	7.9%
Total	**100.0%**	**100.0%**

G46. Credit risk disclosures, cont.

Loan-to-value distribution

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2017, the proportion of the lowest LTV bucket increased slightly, offset mostly by the second highest LTV bucket.

Retail mortgage exposure

	31 Dec 2017		31 Dec 2016	
	EURbn	%	EURbn	%
<50%	110.3	80	110.3	79
50–70%	20.2	15	20.8	15
70–80%	4.6	3	4.9	4
80–90%	1.4	1	1.9	1
>90%	0.7	1	0.9	1
Total	**137.2**	**100**	**138.8**	**100**

Collateralised Debt Obligations (CDO)

Nordea acts as an intermediary in the credit derivatives market, mainly 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 derivative transactions create counterparty credit risk in a 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.

Forbearance

EURm	31 Dec 2017	31 Dec 2016
Forborne loans	5,357	6,063
- of which defaulted	2,896	2,696
Allowances for individually assessed impaired and forborne loans	802	887
- of which defaulted	802	887

Key ratios

%	31 Dec 2017	31 Dec 2016
Forberance ratio[1]	1.7%	1.8%
Forbearance coverage ratio[2]	15%	15%
- of which defaulted	28%	33%

1) Forborne loans / Loans before allowances.
2) Individual allowances / Forborne loans.

Assets taken over for protection of claims[1]

EURm	31 Dec 2017	31 Dec 2016
Current assets, carrying amount:		
Land and buildings	9	9
Shares and other participations	1	1
Other assets	2	3
Total	**12**	**13**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2017 EUR 747m, up from EUR 704m one year ago, and past due loans for household customers decreased to EUR 1,286m (EUR 1,410m).

	31 Dec 2017		31 Dec 2016	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	374	802	376	939
31–60 days	133	233	134	239
61–90 days	84	84	73	94
>90 days	156	167	121	138
Total	**747**	**1,286**	**704**	**1,410**
Past due not impaired loans divided by loans to the public after allowances, %	0.51	0.81	0.46	0.88

Loans to corporate customers, by size of loans

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 68% (69%) of the corporate volume represents loans up to EUR 50m per customer.

	31 Dec 2017		31 Dec 2016	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	64.2	44	68.3	45
10–50	35.8	24	37.3	24
50–100	19.5	13	19.9	13
100–250	17.0	12	17.7	12
250–500	5.9	4	4.7	3
500–	4.6	3	5.1	3
Total	**147.0**	**100**	**153.0**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 "Interest-bearing securities" where the carrying amount of interest-bearing securities is split on different types of counterparties.

G47. 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.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,060m (EUR 1,330m) and at year-end EUR 895m (EUR 861m) where utilised. Total assets in the conduit were EUR 923m (EUR 919m) as per year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from that the payments are dependent on the pace in which Viking realises its assets.

Kalmar Structured Finance A/S was established to allow customers to invest instructured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 1m (EUR 1m) at year-end. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m (EUR 1m) at year-end.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 125m (EUR 125m) and at year-end EUR 113m (EUR 108m) were utilised. The entity holds assets of EUR 125m (EUR 110m) as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest, but do not control, 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 interests 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:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) to hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value on investment funds held on behalf of other policyholders are to a large extent passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

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 (EUR 5m), net of hedges.

Investments in illiquid private equity and credit funds are an integrated part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated to EUR 469m (EUR 429m), equal to the investment in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below.

EURm	31 Dec 2017	31 Dec 2016
Assets, carrying amount:		
Shares	9,306	16,952
Assets in pooled schemes and unit linked investment contracts	21,630	18,151
Assets held for sale	8,389	–
Total assets	**39,325**	**35,103**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit linked investment contracts	787	1,054
Liabilities to policyholders	29,937	33,682
Derivatives	0	198
Liabilities held for sale	8,389	–
Total liabilities	**39,113**	**34,934**
Off balance, nominal amount:		
Loan commitments	0	22

Nordea holds approximately 2,500 different funds which are classified as unconsolidated structured entities, of which approximately 400 are managed by Nordea. These have different investment mandates and risk appetites, ranging from low risk government bond funds to high risk leveraged equity funds. Total assets in funds managed by Nordea amount to EUR 165bn (EUR 157bn). All funds are financed by deposits from the holders of fund units. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and is thus not disclosed.

Nordea has not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

G48. Country by country reporting

In accordance with the requirements under FFFS 2008:25, the table below presents for each country where Nordea is established, i.e. where Nordea has a physical presence, information about the businesses, the geografical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not received any significant government subsidiaries.

			2017				2016			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	9,136	2,929	1,099	–227	8,717	2,988	1,258	–265
Finland	RB, WB, AM, LP	Finland	7,032	1,986	976	–211	7,104	1,918	978	–178
Sweden	RB, WB, AM, LP	Sweden	7,462	2,647	541	–183	7,276	3,021	961	–182
Norway	RB, WB, AM, LP	Norway	3,127	1,698	921	–211	3,140	1,595	895	–96
Russia	WB	Russia	606	98	34	–8	829	158	85	–19
Poland	Other	Poland	2,060	75	1	0	1,571	65	9	0
Estonia	RB, WB, LP	Estonia	502	82	41	–7	559	105	51	–9
Latvia	RB, WB	Latvia	364	57	29	–6	457	84	46	–7
Luxembourg	AM, LP	Luxembourg	451	386	226	–65	426	339	223	–65
Lithuania	RB, WB, LP	Lithuania	305	42	24	–3	378	55	26	–4
United States	RB, WB, AM, LP	New York	123	111	71	–21	120	145	83	–26
United Kingdom	RB, WB, AM, LP	London	68	110	–3	0	77	129	–3	–3
Singapore	WB	Singapore	81	40	31	–4	85	47	0	0
Germany	WB, AM	Frankfurt	43	25	14	–4	55	33	10	–6
Switzerland	AM	Zürich	22	7	–6	0	29	11	2	0
China	WB	Shanghai	31	7	–1	0	30	6	0	1
Italy	AM	Rome	9	5	0	0	7	4	1	0
Spain	AM	Madrid	7	2	0	0	5	2	0	0
Brazil	WB	Sao Paolo	5	2	0	0	5	2	0	0
France	AM	Paris	3	2	0	0	3	1	0	0
Eliminations[3]			–	–842	–	–	–	–781	–	–
Total			**31,437**	**9,469**	**3,998**	**–950**	**30,873**	**9,927**	**4,625**	**–859**

1) RB=Retail banking, WB=Wholesale banking, AM=Asset management, LP= Life and pension.

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 G2 "Segment reporting" is split on countries based on the location of the customers´ operations.

3) Eliminations of transactions consist mainly of intra-group IT-services.

In accordance with the requirements under FFFS 2008:25 Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the table "Specification of group undertakings 31 December 2017" in Note G38 "Capital adequacy" and in the last table in Note G19" Investments in associated undertakings and joint ventures".

Denmark
Nordea Liv & Pension, Livforsikringsselskab A/S
Nordea Investment Management AB, Denmark, filial af Nordea Investment Management AB, Sverige
Nordea Fund Management, filial af Nordea funds Oy, Finland
Nordea Danmark, filial af Nordea Bank AB (publ), Sverige

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finnish Branch
Nordea Bank AB (publ) Finnish Branch
Nordea Holding Abp

Sweden
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds Ltd, Norwegian Branch
Nordea Bank AB (publ), Norwegian Branch

Estonia
Nordea Bank AB Estonia Branch

France
Nordea Investments Funds S.A., French Branch

Italy
Nordea Investment Funds S.A., Italian Branch

Latvia
Nordea Bank AB Latvia Branch

Lithuania
Nordea Bank AB Lithuania Branch

Germany
Nordea Bank AB Frankfurt Branch
Nordea Funds Services GmbH (Germany)

China
Nordea Bank AB Shanghai Branch

Poland
Nordea Bank AB Spólka Akcyjna Oddział w Połsce

Singapore
Nordea Bank AB, Singapore Branch
Nordea Bank S.A., Singapore Branch

Switzerland
Nordea Bank S.A., Luxemburg Zwiegniederlassung Zürich

United Kingdom
Nordea Bank AB London Branch
Nordea Investment Funds S.A. UK Branch

United States
Nordea Bank AB (publ), New York Branch

Spain
Nordea Investment Funds S.A.
Sucursal en España

G49. IFRS 9

Classification of assets and liabilities under IFRS 9

Assets

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Assets held for sale	Total
Cash and balances with central banks	43,081	–	–	–	–	–	–	43,081
Loans	246,966	76,427	–	–	–	–	–	323,393
Interest-bearing securities	3,093	28,027	7,832	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	6,489	–	–	–	–	–	6,489
Shares	–	17,180	–	–	–	–	–	17,180
Assets under pooled schemes and unit-linked investment contracts	–	25,229	499	–	–	151	–	25,879
Derivatives	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,207	–	1,207
Intangible assets	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	118	–	118
Current tax assets	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	250	–	250
Other assets	1,523	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	22,186	22,186
Total assets	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,012**	**22,186**	**581,431**

Liabilities

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Liablities held for sale	Total
Deposit by credit institutions	34,078	5,905	–	–	–	–	39,983
Deposits and borrowings from the public	163,330	9,075	29	–	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	–	–	–	26,333
Liabilities to policyholders	–	–	3,486	–	15,926	–	19,412
Debt securities in issue	122,511	–	56,603	–	–	–	179,114
Derivatives	–	41,607	–	1,106	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,450	–	–	–	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	2,833	24,421	–	–	1,261	–	28,515
Accrued expenses and prepaid income	246	–	–	–	1,357	–	1,603
Deferred tax liabilities[1]	–	–	–	–	676	–	676
Provisions	–	–	–	–	377	–	377
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	8,987	–	–	–	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total liabilities	**333,435**	**81,008**	**86,451**	**1,106**	**20,267**	**26,031**	**548,298**

1) Decrease in net tax liabilities EUR 46m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

G49. IFRS 9, cont.

Reclassification of assets and liabilities at transition

Assets, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Assets held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**295,639**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	89,904	–89,904	–	–	–	–	–
Required reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–	–
Reclassification of provisions on loans held at fair value	128	–128	–	–	–	–	–	–
Impact from companies accounted for under the equity method	–	–	–	–	–	–28	–	–28
Remeasurement[3]	–153	–	–	–	–	–	–	–153
Balance at 1 Jan 2018 under IFRS 9	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,012**	**22,186**	**581,431**

Liabilities, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Liabilities held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**333,435**	**81,008**	**86,451**	**1,106**	**20,265**	**26,031**	**548,296**
Remeasurement[4]	–	–	–	–	2	–	2
Balance at 1 Jan 2018 under IFRS 9	**333,435**	**81,008**	**86,451**	**1,106**	**20,267**	**26,031**	**548,298**

1) The reclassification is related to Loans.
2) Interest-bearing securities of EUR 202m, shares of EUR 11,926m, loans of EUR 52,547m and assets in pooled schemes of EUR 25,229m have been reclassified from Fair value option to Fair value through profit and loss, mandatorily due to required reclassification based on classification criteria.
3) FVOCI consists of new provisions of EUR 2m and an equal but opposite fair value measurement.
4) Increase in provision for off-balance sheet items EUR 48m, offset by a decrease in net tax liabilities of EUR 46m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

Impact on equity (retained earnings) at transition

The total negative impact on equity from IFRS 9 at transition amounts to EUR 183m after tax, including the current best estimate of the impact from companies accounted for using the equity method.

Reclassification of provisions at transition

EURm	Held to maturity	Loans and receivables	Amortised cost (AC)	Available for sale	Fair value through other comprehensive income (FVOCI)	Off-balance	Total
Balance at 31 Dec 2017 under IAS 39	**–**	**2,333**	**–**	**–**	**–**	**91**	**2,424**
Reclassification to AC	–	–2,156	2,156	–	–	–	–
Reclassification to FVPL	–	–177	–	–	–	–	–177
Remasurement under IFRS 9, collective provisions	–	–	143	–	2	48	193
Remasurement under IFRS 9, individual provisions	–	–	10	–	–	–	10
Balance at 1 Jan 2018 under IFRS 9	**–**	**–**	**2,309**	**–**	**2**	**139**	**2,450**

G49. IFRS 9, cont.

Exposures measured at amortised cost and fair value through OCI, before allowances

%	
Stage 1	93.6
Stage 2	4.9
Stage 3	1.5
Total	**100.0**

Allowances for credit losses

EURm	Stage 1	Stage 2	Stage 3	Total
Loans	133	360	1,816	2,309
Interest-bearing securities	2	0	0	2
Off-balance	14	34	91	139
Total	**149**	**394**	**1,907**	**2,450**

Accounting principles under IFRS 9

Classification of financial instruments under IFRS 9

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

Financial assets:
- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial asset at fair value through other comprehensive income

Financial liabilities:
- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial asset is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

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 the table "Classification of assets and liabilities under IFRS 9" above the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, 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. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see Note G1 section 6, "Net interest income". For information about impairment under IFRS 9, see the Impairment section below.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reversed repurchase/repurchase agreement and securities borrowing/lending agreements in Markets and the mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest bearing securities mainly related to a portfolio of interest bearing securities in Life & Pension in Norway, subordinated liabilities and debt securities in issue, execpt for bonds issued in Nordea Kredit Realkreditaktieselskab and issued structured bonds in Markets.

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; Mandatorily measured at fair value through profit and loss and Designated at fair value through profit or loss (fair value option).

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in the liquidity buffer, derivative instruments, shares, the mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policy holders. The deposits are invested in different types of financial assets on behalf of the customer and policyholders.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

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Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit and loss and if the bonds were measured at amortised cost this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value including changes in credit risk recognised in profit or loss.

All assets in Nordea Life & Pension held under investment contracts are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. Changes in own credit risk is recognised in profit and loss as recognising this change in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in Note G1 section 19 "Liabilities to policyholders"), except for a portfolio of interest bearing securities in Norway, are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value on these issues structured bonds is recognised in profit and loss except for the changes in credit risk that is recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in the liquidity buffer. 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 is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see the Impairment section below.

Impairment of financial instruments under IFRS 9

Scope

Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See the Classification section above for further information on the classification of financial instruments.

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

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

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net result from items at fair value". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing of individually assessed loans

Nordea tests all exposures for impairment on an individual basis. The purpose of the impairment tests is to find out if the exposures have become credit impaired (stage 3). Nordea monitors whether there are indicators of exposures being credit impaired by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section. Exposures that are not individually assessed as credit impaired will be part of the collective impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is

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higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the collective model described below, but based on the fact that the exposures are already in default.

Impairment testing of collectively assessed loans

For exposures not impaired on an individual basis, a collective model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12 month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2).

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion. Assets where the relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points. For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2.

Nordea does not use the "low credit risk exemption" in the banking operations, but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions.

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 and modifications

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. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial distress (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

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 Fair value through profit or loss and measured at fair value. Changes in fair values 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.

Financial statements, Parent company

Contents

Income statement

At January 2, 2017 Nordea Bank AB (NBAB) merged with Nordea bank Finland Plc (NBF), Nordea Bank ASA (NBN) and Nordea Bank Denmark A/S (NBD). At the date NBAB has recognised the assets and liabilities and income statement as of 1 January 2017 of its former subsidiaries, as they are dissolved and have become branches to NBAB. For more information see Annual Report 2016, Note P20 "Investments in group undertakings being merged".

EURm	Note	2017	2016
Operating income			
Interest income		4,155	1,403
Interest expense		−1,824	−939
Net interest income	**P3**	**2,331**	**464**
Fee and commission income		2,409	978
Fee and commission expense		−407	−138
Net fee and commission income	**P4**	**2,002**	**840**
Net result from items at fair value	P5	1,104	216
Dividends	P6	3,344	3,210
Other operating income	P7	476	712
Total operating income		**9,257**	**5,442**
Operating expenses			
General administrative expenses:			
- Staff costs	P8	−2,768	−1,113
- Other expenses	P9	−1,469	−1,008
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P22, P23	−277	−172
Total operating expenses		**−4,514**	**−2,293**
Profit before loan losses		**4,743**	**3,149**
Net loan losses	P11	−299	−193
Impairment of securities held as financial non-current assets	P20	−385	−6
Operating profit		**4,059**	**2,950**
Appropriations	P12	2	1
Income tax expense	P13	−551	−51
Net profit for the year		**3,510**	**2,900**

Statement of comprehensive income

EURm	2017	2016
Net profit for the year	**3,510**	**2,900**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	4	–7
Tax on currency translation differences during the year	3	–
Hedging of net investment in foreign operations:		
Valuation gains/losses during the year	3	–
Tax on valuation gains/losses during the year	1	–
Available for sale investments[1]:		
Valuation gains/losses during the year	33	45
Tax on valuation gains/losses during the year	–15	–10
Transferred to the income statement during the year	0	–4
Tax on transfers to the income statement during the year	7	1
Cash flow hedges:		
Valuation gains/losses during the year	109	103
Tax on valuation gains/losses during the year	–33	–23
Transferred to the income statement during the year	–146	–122
Tax on transfers to the income statement during the year	42	27
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	62	3
Tax on remeasurement of benefit plans during the year	–8	–1
Other comprehensive income, net of tax	**62**	**12**
Total comprehensive income	**3,572**	**2,912**

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	31 Dec 2017	31 Dec 2016
Assets			
Cash and balances with central banks		42,637	101
Treasury bills	P14	13,493	6,583
Loans to credit institutions	P15	59,765	88,375
Loans to the public	P15	152,739	43,726
Interest-bearing securities	P16	47,950	10,359
Financial instruments pledged as collateral	P17	12,430	–
Shares	P18	7,883	130
Derivatives	P19	47,688	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk		85	0
Investments in group undertakings	P20	12,532	5,733
Investments in group undertakings being merged		–	14,368
Investments in associated undertakings and joint ventures	P21	1,036	12
Participating interest in other companies		23	1
Intangible assets	P22	2,114	1,539
Properties and equipment	P23	385	132
Deferred tax assets	P13	84	22
Current tax assets		58	204
Retirement benefit assets	P32	196	–
Other assets	P24	15,316	4,560
Prepaid expenses and accrued income	P25	1,128	749
Total assets		**417,542**	**181,262**
Liabilities			
Deposits by credit institutions	P26	51,735	20,374
Deposits and borrowings from the public	P27	176,231	58,183
Debt securities in issue	P28	72,460	63,162
Derivatives	P19	46,118	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk		552	1,008
Current tax liabilities		158	0
Other liabilities	P29	28,720	3,279
Accrued expenses and prepaid income	P30	1,195	670
Deferred tax liabilities	P13	174	0
Provisions	P31	412	307
Retirement benefit liabilities	P32	262	169
Subordinated liabilities	P33	8,987	10,086
Total liabilities		**387,004**	**160,850**
Untaxed reserves	P34	**–**	**2**
Equity			
Additional Tier 1 capital holders		750	–
Share capital		4,050	4,050
Development cost reserve		1,205	569
Share premium reserve		1,080	1,080
Other reserves		166	–2
Retained earnings		23,287	14,713
Total equity		**30,538**	**20,410**
Total liabilities and equity		**417,542**	**181,262**

Statement of changes in equity

2017

	Restricted equity		Unrestricted equity[1]								
				Other reserves							
EURm	Share capital	Development cost reserve	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Total equity
Balance at 1 Jan 2017	**4,050**	**569**	**1,080**	**–**	**–31**	**27**	**2**	**14,713**	**20,410**	**–**	**20,410**
Through Merger	–	–	–	–	17	51	57	8,348	8,473	–	8,473
Change in accounting policy	–	–	–	–19	–	–	–	23	4	–	4
Net profit for the year	–	–	–	–	–	–	–	3,510	3,510	–	3,510
Items that may be reclassified subsequently to the income statement											
Currency translation differences during the year	–	–	–	7	–	–	–	–	7	–	7
Hedging of net investments in foreign operations:											
Valuation gains/losses during the year	–	–	–	3	–	–	–	–	3	–	3
Tax on valuation gains/losses during the year	–	–	–	1	–	–	–	–	1	–	1
Available for sale investments:											
Valuation gains/losses during the year	–	–	–	–	–	33	–	–	33	–	33
Tax on valuation gains/losses during the year	–	–	–	–	–	–15	–	–	–15	–	–15
Transferred to the income statement during the year	–	–	–	–	–	0	–	–	0	–	0
Tax on transfers to the income statement during the year	–	–	–	–	–	7	–	–	7	–	7
Cash flow hedges:											
Valuation gains/losses during the year	–	–	–	–	109	–	–	–	109	–	109
Tax on valuation gains/losses during the year	–	–	–	–	–33	–	–	–	–33	–	–33
Transferred to the income statement during the year	–	–	–	–	–146	–	–	–	–146	–	–146
Tax on transfers to the income statement during the year	–	–	–	–	42	–	–	–	42	–	42
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–	62	–	62	–	62
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–	–8	–	–8	–	–8
Other comprehensive income, net of tax	**–**	**–**	**–**	**11**	**–28**	**25**	**54**	**–**	**62**	**–**	**62**
Total comprehensive income	**–**	**–**	**–**	**11**	**–28**	**25**	**54**	**3,510**	**3,572**	**–**	**3,572**
Issuance of additional Tier 1 capital								–6	–6	750	744
Dividend for 2016	–	–	–	–	–	–	–	–2,625	–2,625	–	–2,625
Disposal/Purchase of own shares[2]	–	–	–	–	–	–	–	–40	–40	–	–40
Development cost reserve	–	636	–	–	–	–	–	–636	0	–	0
Balance at 31 Dec 2017	**4,050**	**1,205**	**1,080**	**–8**	**–42**	**103**	**113**	**23,287**	**29,788**	**750**	**30,538**

1) A free fund amounting to EUR 2,762m is recognised in Retained earnings.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme and trading portfolio. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP is 10.2 million.

Statement of changes in equity, cont.

2016

	Restricted equity		Unrestricted equity[1]					
				Other reserves				
EURm	Share capital	Development cost reserve	Share premium reserve	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2016	**4,050**	**–**	**1,080**	**–16**	**–5**	**0**	**14,969**	**20,078**
Net profit for the year	–	–	–	–	–	–	2,900	2,900
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	–	–	–	–	–	–	–7	-7
Available for sale investments:								
Valuation gains/losses during the year	–	–	–	–	45	–	–	45
Tax on valuation gains/losses during the year	–	–	–	–	–10	–	–	-10
Transferred to the income statement during the year	–	–	–	–	–4	–	–	-4
Tax on transfers to the income statement during the year	–	–	–	–	1	–	–	1
Cash flow hedges:								
Valuation gains/losses during the year	–	–	–	103	–	–	–	103
Tax on valuation gains/losses during the year	–	–	–	–23	–	–	–	-23
Transferred to the income statement during the year	–	–	–	–122	–	–	–	-122
Tax on transfers to the income statement during the year	–	–	–	27	–	–	–	27
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:								
Remeasurement of defined benefit plans during the year	–	–	–	–	–	3	–	3
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–1	–	-1
Other comprehensive income, net of tax	**–**	**–**	**–**	**–15**	**32**	**2**	**–7**	**12**
Total comprehensive income	**–**	**–**	**–**	**–15**	**32**	**2**	**2,893**	**2,912**
Dividend for 2015	–	–	–	–	–	–	–2,584	-2,584
Disposal of own shares[2]	–	–	–	–	–	–	0	0
Development cost reserve	–	569	–	–	–	–	–569	0
Merger effect	–	–	–	–	–	–	4	4
Balance at 31 Dec 2016	**4,050**	**569**	**1,080**	**–31**	**27**	**2**	**14,713**	**20,410**

1) A free fund amounting to EUR 2,762m is recognised in Retained earnings.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme and trading portfolio. The number of own shares were 10.9 million.

Description of items in equity is included in Note G1 "Accounting policies".

Share capital

	Quota value per share, EUR	Total number of shares	Share capital, EUR
Balance at 31 Dec 2016	1.0	4,049,951,919	4,049,951,919
Balance at 31 Dec 2017	1.0	4,049,951,919	4,049,951,919

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 15 March 2018, a dividend in respect of 2017 of EUR 0.68 per share (2016 actual dividend EUR 0.65 per share) amounting to a total of EUR 2,747,028,225 (2016 actual: EUR 2,625,368,991) is to be proposed. The financial statements for the year ended 31 December 2017 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2018.

Cash flow statement

EURm	2017	2016
Operating activities		
Operating profit	4,059	2,950
Adjustment for items not included in cash flow	−1,265	−2,085
Income taxes paid	−612	−278
Cash flow from operating activities before changes in operating assets and liabilities	**2,182**	**587**
Changes in operating assets		
Change in treasury bills	1,781	305
Change in loans to credit institutions	−7,076	2,846
Change in loans to the public	12,180	1,893
Change in interest-bearing securities	2,912	1,829
Change in financial assets pledged as collateral	−4,194	–
Change in shares	−3,120	2,232
Change in derivatives, net	−4,229	−693
Change in other assets	7,465	2,485
Changes in operating liabilities		
Change in deposits by credit institutions	7,885	1,305
Change in deposits and borrowings from the public	−1,430	−2,874
Change in debt securities in issue	−7,195	−5,763
Change in other liabilities	6,676	−253
Cash flow from operating activities	**13,837**	**3,899**
Investing activities		
Investments in group undertakings	−303	−523
Sale of group undertakings	240	–
Investments in associated undertakings and joint ventures	−957	−5
Sale of associated undertakings	14	–
Acquisition of properties and equipment	−125	−25
Sale of property and equipment	0	1
Acquisition of intangible assets	−656	−594
Sale of other financial fixed assets	249	69
Cash flow from investing activities	**−1,538**	**−1,077**
Financing activities		
Issued/amortised subordinated liabilities	-750	1,000
Divestment/repurchase of own shares incl change in trading portfolio	−40	–
Dividend paid	−2,625	−2,584
Issued additional tier 1 capital	750	–
Cash flow from financing activities	**−2,665**	**−1,584**
Cash flow for the year	**9,634**	**1,238**
Cash and cash equivalents at the beginning of year	4,581	3,343
Cash and cash equivalents through merger	−45,917	–
Translation difference	3,716	–
Cash and cash equivalents at the end of year	47,254	4,581
Change	**9,634**	**1,238**

Cash flow statement, 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'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 cash flow includes:

EURm	2017	2016
Depreciation	277	164
Impairment charges	385	14
Loan losses	336	200
Unrealised gains/losses	1,908	499
Capital gains/losses (net)	–7	–68
Change in accruals and provisions	–378	–50
Anticipated dividends	–1,684	–1,964
Group contributions	–873	–695
Translation differences	–642	–47
Change in fair value of the hedged items, assets/liabilities (net)	–476	–149
Other	–111	11
Total	**–1,265**	**–2,085**

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

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

EURm	2017	2016
Interest payments received	4,192	1,393
Interest expenses paid	–1,944	–966

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2017	31 Dec 2016
Cash and balances with central banks	42,637	101
Loans to credit institutions, payable on demand	4,617	4,480
Total	**47,254**	**4,581**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consists 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.

5 year overview

Income statement[1]

EURm	2017	2016	2015	2014[2]	2013
Net interest income	2,331	464	511	649	641
Net fee and commission income	2,002	840	886	820	1,009
Net result from items at fair value	1,104	216	136	186	131
Dividends	3,344	3,210	2 ,176	2,333	1,827
Other operating income	476	712	833	975	674
Total operating income	**9,257**	**5,442**	**4,542**	**4,963**	**4,282**
General administrative expenses:					
- Staff costs	−2,768	−1,113	−1,196	−1,070	−982
- Other expenses	−1,469	−1,008	−851	−904	−1,018
Depreciation, amortisation and impairment charges of tangible and intangible assets	−277	−172	−140	−261	−109
Total operating expenses	**−4,514**	**−2,293**	**−2,187**	**−2,235**	**−2,109**
Profit before loan losses	**4,743**	**3,149**	**2,355**	**2,728**	**2,173**
Net loan losses	−299	−193	−143	−98	−124
Impairment of securities held as financial non-current assets	−385	−6	−9	−15	−4
Operating profit	**4,059**	**2,950**	**2,203**	**2,615**	**2,045**
Appropriations	2	1	2	−1	102
Income tax expense	−551	−51	−285	−189	−192
Net profit for the year	**3,510**	**2,900**	**1,920**	**2,425**	**1,955**

Balance sheet

EURm	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Cash and balances with central banks	42,637	101	75	931	45
Treasury bills, interest-bearing securities and pledged instruments	73,873	16,942	19,068	16,399	16,817
Loans to credit institutions	59,765	88,375	90,009	86,704	80,918
Loans to the public	152,739	43,726	45,820	39,809	34,155
Investments in group undertakings	12,532	20,101	19,394	16,986	17,723
Derivatives	47,688	4,668	5,011	5,981	4,219
Other assets	28,308	7,349	8,796	11,621	10,046
Total assets	**417,542**	**181,262**	**188,173**	**178,431**	**163,923**
Deposits by credit institutions	51,735	20,374	19,069	27,452	17,500
Deposits and borrowings from the public	176,231	58,183	61,043	49,367	47,531
Debt securities in issue	72,460	63,162	68,908	63,280	62,961
Derivatives	46,118	3,612	4,180	4,653	3,627
Subordinated liabilities	8,987	10,086	8,951	7,728	5,971
Other liabilities/untaxed reserves	31,473	5,435	5,944	5,290	6,412
Equity	30,538	20,410	20,078	20,661	19,921
Total liabilities and equity	**417,542**	**181,262**	**188,173**	**178,431**	**163,923**

1) The comparative figures for 2015 have been restated.
2) End of the year.

Ratios and key figures[4]

	2017	2016	2015	2014[1]	2013
Return on equity, %	12.7	15.6	10.1	12.6	10.5
Return on assets, %	0.8	1.6	1.0	1.4	1.2
Cost/income ratio, %	48.8	42.1	48.2	45.0	49.3
Loan loss ratio, basis points	20	44	31	25	36
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2,3], %	18.6	18.6	18.8	21.8	20.8
Tier 1 capital ratio, excl. Basel I floor[1,3], %	21.3	22.0	22.2	25.3	23.1
Total capital ratio, excl. Basel I floor[1,3], %	24.1	27.9	27.1	30.6	28.0
Tier 1 capital[1,2,3], EURm	27,809	19,167	19,314	19,932	19,300
Risk-exposure amount excl. Basel I floor[1,3], EURbn	131	87	87	79	83

1) End of the year.
2) Including result of the year.
3) 2013 ratios are reported under the Basel II regulation framework and 2014, 2015, 2016 and 2017 ratios are reported using the Basel III (CRR/CRDIV) framework.
4) For more detailed information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.

P1. Accounting policies

1. Basis for presentation

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board. This means that the parent company applies International Financial Reporting Standards (IFRS) as endorsed by the EU Commission to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation.

The Group's accounting policies described in Note G1 "Accounting policies" are applicable also for the parent company, considering also the information provided below.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2016 Annual Report.

New accounting requirements implemented during 2017 and their effects on the parent company's financial statements are described below.

Amendments have been made to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments have been implemented on 1 January 2017 but have not had any significant impact on the financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities by issuing "RFR 2 Accounting for Legal Entities – January 2017". These amendments were implemented 1 January 2017 but have not had any significant impact on the financial statements.

Other changes implemented by the parent company 1 January 2017 can be found in section "Changed accounting policies" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

3. Changes in IFRSs not yet applied

Forthcoming changes in IFRS not yet implemented by the parent company can be found in the section 3 "Changes in IFRSs not yet applied" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

4. Accounting policies applicable for the parent company only

Investments in group undertakings, associated undertakings and joint ventures

The parent company's investments in group undertakings, associated undertakings and joint ventures are recognised under the cost model. At each balance sheet date, all shares in group undertakings, associated undertakings and joint ventures are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment of securities held as financial non-current assets" in the income statement.

The parent company applies fair value hedge accounting for the foreign exchange risk in investments in subsidiaries. The shares in subsidiaries are remeasured with regards to the hedged risk with a corresponding entry in "Net result from items at fair value". The change in fair value of the hedging instruments is also recognised in the income statement in "Net result from items at fair value".

Dividends

Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend and if the formal decision has been made before the financial report is published. Dividends from group- and associated undertakings are recognised on the separate income line "Dividends".

Amortisation of goodwill

Goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised, normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

Functional currency

The accounting currency of the parent company is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 9 "Translation of assets and liabilities denominated in foreign currencies" in Note G1 "Accounting policies". Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Pensions

The accounting principle for defined benefit obligations in Sweden follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, and that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases.

In Sweden, defined benefit pension commitments are guaranteed by a pension foundation or recognised as a liability. No net defined benefit assets are recognised. The pension cost in the parent company, classified as "Staff cost" in the income statement, consists of changes in recognised pension provisions (including special wage tax) for active employees, pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

The pension obligations in the foreign branches are calculated in accordance with IAS 19.

Group contributions

Group contributions paid to group undertakings are recognised as an increase in the value of investments in group

P1. Accounting policies, cont.

undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

Untaxed reserves

The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

Presentation of disposal group held for sale

Assets and liabilities related to disposal group held for sale are presented in Note P43 "Disposal groups held for sale". In contrast to the presentation for the Group, assets and liabilities related to the disposal group are not presented on separate balance sheet lines. These assets and liabilities are instead presented on each relevant balance sheet line in accordance with the nature of the asset and liability.

P2. Segment reporting

Geographical information

	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	44	464	450	–	850	–	700	–	287	–	2,331	464
Net fee and commission income	472	840	573	–	261	–	613	–	83	–	2,002	840
Net result from items at fair value	309	216	137	–	133	–	476	–	49	–	1,104	216
Dividends[1]	3,327	3,210	12	–	–	–	5	–	–	–	3,344	3,210
Other operating income	-35	–53	118	241	93	95	228	429	72	–	476	712
Total operating income	**4,117**	**4,677**	**1,290**	**241**	**1,337**	**95**	**2,022**	**429**	**491**	**–**	**9,257**	**5,442**

1) Regards dividends from group undertakings.

P3. Net interest income

EURm	2017	2016
Interest income		
Loans to credit institutions	245	380
Loans to the public	3,350	837
Interest-bearing securities	383	126
Other interest income	177	60
Interest income	**4,155**	**1,403**
Interest expense		
Deposits by credit institutions	–170	–20
Deposits and borrowings from the public	–344	–32
Debt securities in issue	–976	–923
Subordinated liabilities	–336	–368
Other interest expenses[1]	2	404
Interest expense	**–1,824**	**–939**
Net interest income	**2,331**	**464**

1) The net interest income from derivatives, measured at fair value and related to Nordea´s funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 3,769m (EUR 1,274m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –2,060m (EUR –1,401m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4. Net fee and commission income

EURm	2017	2016
Asset management commissions	450	148
- of which income	458	148
- of which expense	–8	–
Life & Pension	23	1
- of which income	23	1
- of which expense	–	–
Deposit Products	26	18
- of which income	26	18
- of which expense	–	–
Brokerage, securities issues and corporate finance	205	187
- of which income	269	211
- of which expense	–64	–24
Custody and issuer services	56	7
- of which income	95	19
- of which expense	–39	–12
Payments	317	72
- of which income	439	102
- of which expense	–122	–30
Cards	196	77
- of which income	326	127
- of which expense	–130	–50
Lending Products	371	154
- of which income	376	155
- of which expense	–5	–1
Guarantees	294	153
- of which income	294	153
- of which expense	0	0
Other	64	23
- of which income	104	44
- of which expense	–40	–21
Total	**2,002**	**840**

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 401m (EUR 173m).

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 amounts to EUR 750m (EUR 360m). The corresponding amount for fee expenses is EUR –110m (EUR –36m).

P5. Net result from items at fair value

EURm	2017	2016
Equity related instruments	368	–332
Interest related instruments and foreign exchange gains/losses	718	547
Other financial instruments (including credit and commodities)	18	1
Total[1]	**1,104**	**216**

1) Of which EUR 53m (EUR 0m) is dividends from shares.

P5. Net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2017	2016
Available for sale assets, realised	0	4
Financial instruments designated at fair value through profit or loss	17	18
Financial instruments held for trading[2]	472	–386
Financial instruments under fair value hedge accounting	46	–10
- of which net losses on hedging instruments	–355	–166
- of which net gains on hedged items	401	156
Financial assets measured at amortised cost[3]	4	1
Foreign exchange gains/losses excluding currency hedges	570	529
Other	–5	60
Total	**1,104**	**216**

2) Of which amortised deferred day one profits amounts to EUR -53m (EUR 0m).
3) Of which EUR 4m (EUR 1m) related to instruments classified into the category "Loans and receivables" and EUR -m (EUR -m) related to instruments classified into the category "Held to maturity".

P6. Dividends

EURm	2017	2016
Dividends from group undertakings		
Nordea Bank Finland Plc	–	900
Nordea Bank Denmark A/S	–	417
LLC Promyshlennaya Kompaniya Vestkon	93	82
JSC Nordea Bank	7	6
Nordea Mortgage Bank Plc	102	–
Nordea Kredit Realkreditaktieselskab	402	–
Nordea Finance Finland Ltd	342	–
Nordea Finans Danmark A/S	45	–
Nordea Finans Norge AS	21	–
Nordea Life Holding AB	707	700
Nordea Funds Ltd	154	130
Nordea Bank S.A.	70	155
Nordea Investment Management AB	–	115
Nordea Asset Management Holding AB	386	–
Nordea Eiendomskreditt AS	45	–
Nordea Ejendomsinvestering A/S	10	9
Nordea Utvikling A/S	4	–
Nordea Privatmegleren AS	1	–
Dividends from associated undertakings and joint ventures	**2017**	**2016**
Upplysningscentralen (UC) AB	1	1
Visa Sweden	64	–
Suomen Luotto–osuuskunta	10	–
Automatia Pankkiautomaatit Oy	2	–
LR–Realkredit A/S	5	–
Group Contributions		
Nordea Hypotek AB	716	562
Nordea Investment Management AB	–	6
Nordea Finans AB	157	127
Total	**3,344**	**3,210**

P7. Other operating income

EURm	2017	2016
Divestment of shares	6	0
Remuneration from group undertakings	466	710
Income from real estate	2	–
Other	2	2
Total	**476**	**712**

P8. Staff costs

EURm	2017	2016
Salaries and remuneration (specification below)[1]	–2,139	–825
Pension costs (specification below)	–292	–165
Social security contributions	–444	–240
Other staff costs	107	117
Total	**–2,768**	**–1,113**

Salaries and remuneration

To executives[2]		
- Fixed compensation and benefits	–9	–9
- Performance-related compensation	–5	–4
- Allocation to profit-sharing	0	0
Total	**–14**	**–13**
To other employees	–2,125	–812
Total	**–2,139**	**–825**

1) Allocation to profit-sharing foundation 2017 EUR 28m (EUR 11m) consists of a new allocation of EUR 25m (EUR 11m) and an allocation related to prior year of EUR 3m (EUR 0m).
2) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, are included. Executives amounts to 20 (19) positions.

Pension costs[1]

EURm	2017	2016
Defined benefit plans	–63	–85
Defined contribution plans	–229	–80
Total	**–292**	**–165**

1) Pension costs for executives, see Note G7 "Staff costs".

Additional disclosures on remuneration under Swedish FSA regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) not later than one week before the Annual General Meeting on 15 March 2018.

Compensation to key management personnel

Salaries and remuneration to the Board of Directors, CEO and Group Executive Management, see Note G7 "Staff costs".

Loans to key management personnel

Loans to key management personnel amounts to EUR 0m (EUR 0m). Interest income on these loans amounts to EUR 0m (EUR 0m). For information about loan conditions, see Note G7 "Staff costs".

P8. Staff costs, cont.

Long Term Incentive Programmes

For information on number of outstanding conditional rights in the LTIPs, see Note G7 "Staff costs". All rights in the LTIPs, both to employees in the parent company as well as to employees in group undertakings, are issued by Nordea Bank AB (publ).

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 in 2013 introduced 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 direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2017 is paid no earlier than autumn 2021. 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 Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2017 is decided during spring 2018, and a reservation of EUR 34m excl. social costs is made 2017. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, 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

EURm	2017	2016
Opening balance	39	22
Through merger	60	–
Deferred/earned during the year	40	17
TSR indexation during the year	1	6
Payments during the year	–42	–6
Translation differences	–3	0
Closing balance	**95**	**39**

P8. Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2017	2016	2017	2016	2017	2016
Full-time equivalents						
Sweden	6,912	6,778	3,400	3,257	3,512	3,521
Denmark	7,965	1,460	4,469	1,116	3,496	344
Finland	6,434	663	2,267	420	4,167	243
Norway	2,680	185	1,469	152	1,211	33
Poland	2,060	1,426	1,044	719	1,016	707
Other countries	1,356	1,384	447	436	909	948
Total average	**27,407**	**11,896**	**13,096**	**6,100**	**14,311**	**5,796**

Gender distribution, executives

Per cent	2017	2016
Nordea Bank AB (publ)		
Board of Directors – Men	50	56
Board of Directors – Women	50	44
Other executives – Men	80	90
Other executives – Women	20	10

P9. Other expenses

EURm	2017	2016
Information technology	–554	–548
Marketing and representation	–55	–27
Postage, transportation, telephone and office expenses	–84	–39
Rents, premises and real estate	–304	–121
Other[1]	–472	–273
Total	**–1,469**	**–1,008**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2017	2016
PricewaterhouseCoopers		
Auditing assignments	–4	–3
Audit-related services	–1	–1
Tax advisory services	–1	0
Other assignments	–1	–4
Total	**–7**	**–8**

P10. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	2017	2016
Properties and equipment (Note P23)		
Equipment	–64	–25
Intangible assets (Note P22)		
Goodwill	–68	–55
Computer software	–110	–63
Other intangible assets	–30	–21
Total	**–272**	**–164**

Impairment charges

EURm	2017	2016
Intangible assets (Note P22)		
Computer software	–5	–8
Other intangible assets	–	0
Total	**–5**	**–8**
Total depreciation/amortisation and impairment charges	**–277**	**–172**

P11. Net loan losses

EURm	2017	2016
Loan losses divided by class		
Realised loan losses	0	0
Provisions	–1	–1
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**0**
Realised loan losses	–344	–119
Allowances to cover realised loan losses	259	80
Recoveries on previous realised loan losses	36	7
Provisions	–787	–228
Reversals of previous provisions	546	90
Loans to the public[1]	**–290**	**–170**
Realised loan losses	–9	–3
Allowances to cover realised loan losses	9	4
Provisions	–102	–39
Reversals of previous provisions	93	15
Off-balance sheet items[2]	**–9**	**–23**
Net loan losses	**–299**	**–193**

1) See Note P15 "Loans and impairment".
2) Included in Note P31 "Provisions" as "Guarantees".

P12. Appropriations

EURm	2017	2016
Change in depreciation in excess of plan, equipment	2	1
Total	**2**	**1**

P13. Taxes

Income tax expense

EURm	2017	2016
Current tax	–626	–43
Deferred tax	75	–8
Total	**–551**	**–51**

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

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2017	2016
Profit before tax	4,061	2,951
Tax calculated at a tax rate of 22.0%	–893	–649
Effect of different tax rates in other countries	–20	–
Tax-exempt income	560	616
Interest on subordinated debt	-54	–
Other non-deductible expenses	–144	–15
Adjustments relating to prior years	4	–3
Other	–4	0
Tax charge	**–551**	**–51**
Average effective tax rate	14%	2%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2017	2016	2017	2016
Deferred tax related to:				
Derivatives	1	9	193	–
Loans to the public	9	–	6	–
Properties and equipment	4	–	28	15
Intangible assets	–	–	17	–
Hedge of net investments in foreign subsidiaries	12	–	–	–
Retirement benefit obligations	16	7	23	1
Liabilities/provisions	77	22	–	–
Foreign tax credits	61	0	–	–
Other	0	0	3	0
Netting between deferred tax assets and liabilities	–96	–16	–96	–16
Total	**84**	**22**	**174**	**–**

P14. Treasury bills

EURm	31 Dec 2017	31 Dec 2016
State and sovereigns	10,406	6,009
Municipalities and other public bodies[1]	3,087	574
Total	**13,493**	**6,583**

1) Of which EUR 0m (EUR 30m) held at amortised cost with a nominal amount of EUR 0m (EUR 30m).

P15. Loans and impairment

EURm	Credit institutions 31 Dec 2017	Credit institutions 31 Dec 2016	The public 31 Dec 2017	The public 31 Dec 2016	Total 31 Dec 2017	Total 31 Dec 2016
Loans, not impaired	59,765	88,377	150,487	43,347	210,252	131,724
Impaired loans	0	–	4,268	820	4,268	820
- Servicing	0	–	2,552	562	2,552	562
- Non-servicing	–	–	1,716	258	1,716	258
Loans before allowances	**59,765**	**88,377**	**154,755**	**44,167**	**214,520**	**132,544**
Allowances for individually assessed impaired loans	0	–	–1,752	–344	–1,752	–344
- Servicing	0	–	–987	–217	–987	–217
- Non-servicing	–	–	–765	–127	–765	–127
Allowances for collectively assessed impaired loans	0	–2	–264	–97	–264	–99
Allowances	**0**	**–2**	**–2,016**	**–441**	**–2,016**	**–443**
Loans, carrying amount	**59,765**	**88,375**	**152,739**	**43,726**	**212,504**	**132,101**

Movements of allowance accounts for impaired loans

EURm	Credit institutions Individually assessed	Credit institutions Collectively assessed	Credit institutions Total	The public Individually assessed	The public Collectively assessed	The public Total	Total Individually assessed	Total Collectively assessed	Total Total
Opening balance at 1 Jan 2017	**–**	**–2**	**–2**	**–344**	**–97**	**–441**	**–344**	**–99**	**–443**
Provisions	–	–1	–1	–660	–127	–787	–660	–128	–788
Reversals of previous provisions	–	1	1	318	228	546	318	229	547
Changes through the income statement	**–**	**0**	**0**	**–342**	**101**	**–241**	**–342**	**101**	**–241**
Through merger	0	–	0	–1,369	–283	–1,652	–1,369	–283	–1,652
Allowances used to cover realised loan losses	–	–	–	259	–	259	259	–	259
Reclassifications	–	–	0	18	3	21	18	3	21
Translation differences	–	2	2	27	11	38	27	13	40
Closing balance at 31 Dec 2017	**0**	**0**	**0**	**–1,751**	**–265**	**–2,016**	**–1,751**	**–265**	**–2,016**
Opening balance at 1 Jan 2016	**–**	**–2**	**–2**	**–314**	**–86**	**–400**	**–314**	**–88**	**–402**
Provisions	–	–1	–1	–175	–53	–228	–175	–54	–229
Reversals of previous provisions	–	1	1	53	37	90	53	38	91
Changes through the income statement	**–**	**0**	**0**	**–122**	**–16**	**–138**	**–122**	**–16**	**–138**
Allowances used to cover realised loan losses	–	–	–	80	–	80	80	–	80
Translation differences	–	0	0	12	5	17	12	5	17
Closing balance at 31 Dec 2016	**–**	**–2**	**–2**	**–344**	**–97**	**–441**	**–344**	**–99**	**–443**

Allowances and provisions[1]

EURm	Credit institutions 31 Dec 2017	Credit institutions 31 Dec 2016	The public 31 Dec 2017	The public 31 Dec 2016	Total 31 Dec 2017	Total 31 Dec 2016
Allowances for items on the balance sheet	–1	–2	–2,016	–441	–2,017	–443
Provisions for off balance sheet items	–	–204	–188	–2	–188	–206
Total allowances and provisions	**–1**	**–206**	**–2,204**	**–443**	**–2,205**	**–649**

1) Included in Note P31 "Provisions" as "Guarantees".

P15. Loans and impairment, cont.

Key ratios[1]

EURm	31 Dec 2017	31 Dec 2016
Impairment rate, gross, basis points	199	62
Impairment rate, net, basis points	117	36
Total allowance rate, basis points	94	33
Allowances in relation to impaired loans, %	41	42
Total allowances in relation to impaired loans, %	47	54
Non-servicing loans, not impaired, EURm	104	23

1) For definitions, see "Glossary" on page 85.

P16. Interest-bearing securities

EURm	31 Dec 2017	31 Dec 2016
Issued by public bodies	0	35
Issued by other borrowers[1]	47,950	10,324
Total	**47,950**	**10,359**
Listed securities	14,176	10,204
Unlisted securities	33,774	155
Total	**47,950**	**10,359**

1) Of which EUR 0m (EUR 26m) held at amortised cost with a nominal amount of EUR 0m (EUR 26m).

P17. Financial instruments pledged as collateral

Financial instruments pledged as collateral

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

EURm	31 Dec 2017	31 Dec 2016
Treasury bills	2,948	–
Interest bearing securities	9,482	–
Shares	–	–
Total	**12,430**	**–**

For information on transferred assets, see Note P45 "Transferred assets and obtained collaterals".

P18. Shares

EURm	31 Dec 2017	31 Dec 2016
Shares	7,883	130
Shares taken over for protection of claims	0	0
Total	**7,883**	**130**
Listed shares	7,256	130
Unlisted shares	627	–
Total	**7,883**	**130**

P19. Derivatives and hedge accounting

Derivatives held for trading

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	25,116	22,478	4,952,569
FRAs	39	18	984,287
Futures and forwards	35	50	152,387
Options	6,537	6,926	348,251
Other	10	33	10,778
Total	**31,737**	**29,505**	**6,448,272**
Equity derivatives			
Equity swaps	108	145	11,113
Futures and forwards	3	6	1,147
Options	355	642	13,845
Total	**466**	**793**	**26,105**
Foreign exchange derivatives			
Currency and interest rate swaps	6,175	7,958	361,965
Currency forwards	5,475	4,796	609,636
Options	150	107	23,572
Total	**11,800**	**12,861**	**995,173**
Credit derivatives	2,009	1,975	78,650
Commodity derivatives	3	3	236
Other derivatives	29	3	324
Total derivatives held for trading	**46,044**	**45,140**	**7,548,760**

Derivatives used for hedge accounting

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives	829	377	74,736
Foreign exchange derivatives	815	601	20,355
Total derivatives used for hedge accounting	**1,644**	**978**	**95,091**
- of which fair value hedges[1]	974	382	74,736[1]
- of which cash flow hedges[1]	670	595	20,355[1]
Total derivatives	**47,688**	**46,118**	**7,643,851**

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

31 Dec 2017, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	1,424	7,479	4,952	2,433	691
Net cash outflows	**1,424**	**7,479**	**4,952**	**2,433**	**691**

P19. Derivatives and hedge accounting, cont.

Derivatives held for trading

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	1,785	1,813	239,297
FRAs	8	3	25,617
Futures and forwards	–	0	4,000
Options	1	1	98
Other	12	12	10,241
Total	**1,806**	**1,829**	**279,253**
Equity derivatives			
Equity swaps	35	58	96
Options	17	6	996
Total	**52**	**64**	**1,092**
Foreign exchange derivatives			
Currency and interest rate swaps	718	643	40,600
Currency forwards	6	2	12,355
Options	9	8	1,217
Total	**733**	**653**	**54,172**
Credit derivatives	7	5	840
Other derivatives	4	0	1,763
Total derivatives held for trading	**2,602**	**2,551**	**337,120**

Derivatives used for hedge accounting

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives	1,236	200	50,345
Foreign exchange derivatives	830	861	12,367
Total derivatives used for hedge accounting	**2,066**	**1,061**	**62,712**
- of which fair value hedges[1]	1,236	200	50,345
- of which cash flow hedges[1]	830	861	12,367
Total derivatives	**4,668**	**3,612**	**399,832**

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

31 Dec 2016, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	3,933	3,290	2,986	2,235	360
Net cash outflows	**3,933**	**3,290**	**2,986**	**2,235**	**360**

P20. Investments in group undertakings

EURm	31 Dec 2017	31 Dec 2016[1]
Acquisition value at beginning of year	20,741	20,028
Through merger inflow	7,293	–
Acquisitions/capital contributions during the year	303	523
Revaluations under hedge accounting	246	220
Through merger outflow	–14,786	–
Sales during the year	–240	–30
Acquisition value at end of year	**13,557**	**20,741**
Accumulated impairment charges at beginning of year	–640	–634
Impairment charges during the year	–385	–6
Accumulated impairment charges at end of year	**–1,025**	**–640**
Total	**12,532**	**20,101**
- of which listed shares	–	–

1) Including investments in group undertakings being merged with a carrying amount of EUR 14,368m at 31 December 2016 (Note P20 - Annual Report 2016).

P20. Investments in group undertakings, cont.

Specification

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

31 Dec 2017	Registration number	Domicile	Number, of,shares	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Nordea Kredit RealKreditaktieselskab	15134275	Copenhagen	17,172,500	2,953	–	100,0
Nordea Hypotek AB (publ)[2]	556091-5448	Stockholm	100,000	2,301	2,335	100.0
Nordea Eiendomskreditt AS	971227222	Oslo	15,336,269	1,260	–	100,0
Fionia Asset Company A/S	31934745	Copenhagen	148,742,586	1,190	–	100,0
Nordea Finance Finland Ltd	0112305-3	Espoo	1,000,000	1,066	–	100,0
Nordea Mortgage Bank Plc	2743219-6	Helsinki	257,700,000	731	731	100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	719	719	100.0
LLC Promyshlennaya Kompaniya Vestkon	1027700034185	Moscow	4,601,942,680[1]	353	676	100.0
JSC Nordea Bank	1027739436955	Moscow				100.0
Nordea Bank S.A.	B-14157	Luxembourg	1,000,000	455	455	100.0
Nordea Finans Norge AS	924507500	Oslo	63,000	435	–	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	385	100.0
Nordea Asset Management Holding AB	559104-3301	Stockholm	500	246	–	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup	20,006	188	–	100.0
Nordea Finans Sverige AB (publ)[2]	556021-1475	Stockholm	1,000,000	112	86	100.0
Nordea Essendropsgate Eiendomsforvaltning AS	986610472	Oslo	7,500	41	–	100.0
Nordea Ejendomsinvestering A/S	26640172	Copenhagen	1,000	29	29	100.0
Nordea Markets Holding Company INC	36-468-1723	Delaware	1,000	22	22	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	22	22	100.0
Privatmegleren	986386661	Oslo	12,000,000	11	–	100.0
Nordea Utvikling AS	999222862	Oslo	300	6	–	100.0
Nordea Holding Abp	2858394-9	Helsinki	1	5	–	100.0
Danbolig A/S	13186502	Copenhagen	1	1	–	100.0
Structured Finance Servicer A/S	24606910	Copenhagen	2	1	–	100.0
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	0	100.0
Nordea Putten Fastighetsförvaltning AB	556653-5257	Stockholm	1,000	0	0	100.0
Nordea Do Brasil Representações Ltda	51.696.268/0001-40	São Paulo, Brazil	1,162,149	0	0	100.0
First Card AS	963215371	Oslo	200	0	–	100.0
Nordea Bank Finland Abp	168235-8	Helsinki	1,030,800,000	–	7,231	100.0
Nordea Bank Danmark A/S	13522197	Copenhagen	50,000,000	–	4,037	100.0
Nordea Bank Norge ASA	911044110	Oslo	551,358,576	–	3,100	100.0
Nordea Investment Management AB	556060-2301	Stockholm	12,600	–	227	100.0
Promano Est OÜ	11681888	Tallinn, Estonia	1	–	10	100.0
Promano Lit UAB	302423219	Vilnius, Lithuania	34,528	–	10	100.0
SIA Promano Lat	40103235197	Riga, Latvia	21,084	–	10	100.0
SIA Realm	50103278681	Riga, Latvia	7,030	–	7	100.0
UAB Recurso	302784511	Vilnius, Lithuania	15,000	–	5	100.0
SIA Trioleta	40103565264	Riga, Latvia	2,786	–	4	99.9
Uus-Sadama 11 OÜ	11954914	Tallinn, Estonia	1	–	0	100.0
SIA Lidosta RE	40103424424	Riga, Latvia	2	–	0	100.0
Total				**12,532**	**20,101**	

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank AB directly 7.2% and indirecly 92.8% through LLC Promyshlennaya Kompaniya Vestkon.

2) Credit institutions as defined in the Swedish Annual Account Act for Credit Institutions and Securities Companies (1995:1559).

P21. Investments in associated undertakings and joint ventures

EURm	31 Dec 2017	31 Dec 2016
Acquisition value at beginning of year	12	7
Through merger	69	–
Acquisitions/capital contributions during the year	968	5
Sales during the year	–8	0
Translation differences	–5	–
Acquisition value at end of year	**1,036**	**12**
- of which listed shares	–	–

P22. Intangible assets

EURm	31 Dec 2017	31 Dec 2016
Goodwill allocated to cash generating units		
Personal Banking	160	137
Commercial and Business Banking	99	92
Total goodwill	**259**	**229**
Computer software	1,801	1,272
Other intangible assets	54	38
Total intangible assets	**2,114**	**1,539**
Movements in goodwill		
Acquisition value at beginning of year	1,094	1,094
Acquisitions through mergers	178	–
Acquisition value at end of year	**1,272**	**1,094**
Accumulated amortisation at beginning of year	–865	–810
Amortisations through mergers	–80	–
Amortisation according to plan for the year	–68	–55
Accumulated amortisation at end of year	**–1,013**	**–865**
Total	**259**	**229**
Movements in computer software		
Acquisition value at beginning of year	1,431	861
Acquisitions through mergers	157	–
Acquisitions during the year	628	576
Sales/disposals during the year	–2	–7
Reclassifications	–1	1
Translation differences	–37	–
Acquisition value at end of year	**2,176**	**1,431**
Accumulated amortisation at beginning of year	–151	–88
Depreciations through mergers	–102	–
Amortisation according to plan for the year	–110	–63
Accumulated amortisation on sales/disposals during the year	1	0
Translation differences	8	–
Accumulated amortisation at end of year	**–354**	**–151**
Accumulated impairment charges at beginning of year	–8	–7

P22. Intangible assets, cont.

EURm	31 Dec 2017	31 Dec 2016
Accumulated impairment charges through mergers	–7	–
Accumulated impairment charges on sales/disposals during the year	–1	7
Impairment charges during the year	–5	–8
Accumulated impairment charges at end of year	**–21**	**–8**
Total	**1,801**	**1,272**
Movements in other intangible assets		
Acquisition value at beginning of year	121	106
Acquisitions through mergers	72	–
Acquisitions during the year	28	17
Sales/disposals during the year	–	–2
Translation differences	–4	–
Acquisition value at end of year	**217**	**121**
Accumulated amortisation at beginning of year	–83	–62
Depreciations through mergers	–53	–
Amortisation according to plan for the year	–30	–21
Accumulated amortisation on disposals during the year	–	0
Translation differences	3	–
Accumulated amortisation at end of year	**–163**	**–83**
Accumulated impairment charges at beginning of year	0	–3
Accumulated impairment charges on disposals during the year	0	3
Impairment charges during the year	0	0
Accumulated impairment charges at end of year	**0**	**0**
Total	**54**	**38**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test.
See Note G20 "Intangible assets" and Note G1 "Accounting policies" section 4 for more information.

P23. Properties and equipment

EURm	31 Dec 2017	31 Dec 2016
Properties and equipment	385	132
- of which buildings for own use	3	0
- of which investment properties	2	–
Total	**385**	**132**
Movements in equipment		
Acquisition value at beginning of year	324	307
Acquisitions during the year	125	25
Acquisition through mergers	565	8
Sales/disposals during the year	–24	–15
Reclassification	0	–1
Translation differences	–17	–
Acquisition value at end of year	**973**	**324**
Accumulated depreciation at beginning of year	–192	–169
Accumulated depreciation on sales /disposals during the year	24	12
Depreciations according to plan for the year	–64	–25
Depreciations through mergers	–370	–6
Reclassifications	0	–4
Translation differences	14	–
Accumulated depreciation at end of year	**–588**	**–192**
Total	**385**	**132**

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment. See also Note G1 "Accounting policies", section 15.

Leasing expenses during the year

EURm	31 Dec 2017	31 Dec 2016
Leasing expenses during the year	–256	–121
- of which minimum lease payments	–256	–120
- of which contingent rents	–	–1
Leasing income during the year regarding sublease payments	**23**	**16**

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

EURm	31 Dec 2017
2018	211
2019	179
2020	159
2021	134
2022	115
Later years	480
Total	**1,278**

The sublease payments to be received under non-cancellable subleases amounts to EUR 196m. EUR 184m of the subleases are towards group undertakings.

P24. Other assets

EURm	31 Dec 2017	31 Dec 2016
Claims on securities settlement proceeds	2,162	39
Cash/margin receivables	9,640	1,286
Anticipated dividends from group undertakings	1,684	1,964
Group contributions	873	695
Other	957	576
Total	**15,316**	**4,560**

P25. Prepaid expenses and accrued income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest income	204	95
Other accrued income	236	84
Prepaid expenses	688	570
Total	**1,128**	**749**

P26. Deposits by credit institutions

EURm	31 Dec 2017	31 Dec 2016
Central banks	13,751	1,919
Banks	20,749	17,391
Other credit institutions	17,235	1,064
Total	**51,735**	**20,374**

P27. Deposits and borrowings from the public

EURm	31 Dec 2017	31 Dec 2016
Deposits[1]	169,216	58,129
Repurchase agreements	7,015	–
Borrowings	–	54
Total	**176,231**	**58,183**

1) Deposits related to individual pension savings (IPS) are also included.

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits.

P28. Debt securities in issue

EURm	31 Dec 2017	31 Dec 2016
Certificates of deposit	10,743	7,248
Commercial papers	24,441	17,805
Covered bonds	5,033	0
Bond	32,201	38,052
Other	42	57
Total	**72,460**	**63,162**

P29. Other liabilities

EURm	31 Dec 2017	31 Dec 2016
Liabilities on securities settlement proceeds	3,010	106
Sold, not held, securities	13,875	242
Cash/margin payables	8,869	1,930
Accounts payable	85	22
Other	2,881	979
Total	**28,720**	**3,279**

P30. Accrued expenses and prepaid income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest	10	5
Other accrued expenses	1,015	458
Prepaid income	170	207
Total	**1,195**	**670**

P31. Provisions

EURm	31 Dec 2017	31 Dec 2016
Restructuring	216	99
Guarantees/commitments	188	206
Other	8	2
Total	**412**	**307**

EURm	Restruc-turing	Guarantees/ Commit-ments	Other	Total
At beginning of year	99	206	2	307
New provisions made	148	102	3	253
Provisions utilised	–84	–9	–1	–94
Reversals	–54	–298	–	–352
Reclassifications	111	189	4	304
Translation differences	–4	–2	0	–6
At end of year	**216**	**188**	**8**	**412**

New provisions for restructuring costs were recognised by EUR 148m. 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 2018. 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 restructuring costs amounts to EUR 216m and covers mainly termination benefits.

P32. Retirement benefit obligations

Nordea sponsors both defined contribution plans (DCP) and defined benifit plans (DBP). The major plans in each country are funded schemes covered by assets in pension funds/ foundations.

	Income statement 2017			Balance sheet (net) 2017	
	IAS 19	Local[1]		IAS 19	Local[1]
Sweden	–43	–58		–57	–126
Norway	–4	–4		–79	–79
Finland	–2	–2		113	113
Denmark	1	1		26	26
Total	**–48**	**–63**	**Net liability (–)/asset (+)**	**3**	**–66**

1) The pension obligations in the foreign branches are calculated in accordance with IAS 19.

IAS 19 pension calculations and assumptions

The following figures are based on calculations in accordance with IAS 19. Since the pensions in Nordea Bank AB (publ) are recognized in accordance with local accounting requirements, the following figures cannot be found in the balance sheet and income statement.

For general information on Nordea´s main DBP´s, assumptions used in the IAS 19 calculations and sensitivities, see note G32 "Retirement benefit obligations".

Net retirement benefit liabilities/assets

EURm	Swe 2017	Nor 2017	Fin 2017	Den 2017	Total 2017	Total 2016
Obligations	1,580	704	862	101	3,247	1,654
Plan assets	1,523	625	975	127	3,250	1,690
Net liability(–)/asset(+)	**–57**	**–79**	**113**	**26**	**3**	**36**
– of which retirement benefit liabilities	119	132	3	0	254	162
– of which retirement benefit assets	62	53	116	26	257	198

P32. Retirement benefit obligations, cont.

Movements in the obligation

2017, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,422	62	170	–	1,654
Through merger	–	746	744	103	1,593
Current service cost	23	5	3	–	31
Interest cost	38	20	14	2	74
Pensions paid	–67	–34	–56	–6	–163
Past service cost and settlements	14	–5	0	–	9
Remeasurement from changes in demographic assumptions	–	44	–5	0	39
Remeasurement from changes in financial assumptions	177	–65	3	4	119
Remeasurement from experience adjustments	1	6	–7	–1	–1
Translation differences	–50	–65	–4	–1	–120
Change in provision for SWT/SSC[1]	22	–10	–	–	12
Closing balance	**1,580**	**704**	**862**	**101**	**3,247**
- of which relates to the active population (%).	26%	13%	13%	–	19%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

Movements in the fair value of plan assets

2017, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,484	27	179	–	1,690
Through merger	–	633	816	132	1,581
Interest income (calculated using the discount rate)	39	18	16	2	75
Pensions paid	–	–19	–56	–6	–81
Settlements	–	–	–	–	0
Contributions by employer	–	6	–	3	9
Contributions by plan participants	–	–	–	–	0
Refund to employer	–	–	–	–	0
Remeasurement (actual return less interest income)	46	12	26	–4	80
Translation differences	–46	–52	–6	0	–104
Closing balance	**1,523**	**625**	**975**	**127**	**3,250**

Asset composition in funded schemes

The combined return on assets in 2017 was 4.7%. The asset return was driven by a positive return in all asset classes.

2017	Swe	Nor	Fin	Den	Total
Bonds	**69%**	**52%**	**57%**	**86%**	**63%**
- of which sovereign	34%	31%	36%	35%	34%
- of which covered bonds	17%	9%	4%	50%	13%
- of which corporate bonds	15%	10%	17%	0%	15%
- of which issued by Nordea entities	2%	1%	0%	0%	1%
- of which with quoted market price in an active market	69%	52%	57%	86%	63%
Equity	**29%**	**31%**	**27%**	**13%**	**28%**
- of which domestic	7%	7%	7%	13%	7%
- of which european	8%	10%	7%	0%	8%
- of which US	8%	9%	8%	0%	8%
- of which emerging markets	5%	6%	5%	0%	5%
- of which Nordea shares	1%	0%	0%	0%	0%
- of which with quoted market price in an active market	29%	31%	27%	13%	28%
Real estate[1]	**0%**	**15%**	**12%**	**0%**	**7%**
- of which occupied by Nordea	0%	0%	4%	0%	1%
Cash and cash equivalents	**2%**	**2%**	**4%**	**1%**	**2%**

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

P32. Retirement benefit obligations, cont.

EURm	31 Dec 2017
Shares	924
Interest-bearing securities	2,040
Other assets	286
Total	**3,250**

Recognised in the income statement

2017, EURm	Swe	Nor	Fin	Den	Total
Current service cost	23	5	3	–	31
Net interest	–1	3	–1	–1	0
Past service cost and settlements	14	–5	0	–	9
SWT/SSC[1]	7	1	0	–	8
Pension cost on defined benefit plans (expense+ / income–)	**43**	**4**	**2**	**–1**	**48**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Recognised in other comprehensive income

2017, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	–	44	–5	0	39
Remeasurement from changes in financial assumptions	177	–65	3	4	119
Remeasurement from experience adjustments	1	6	–7	–1	–1
Remeasurement of plan assets (actual return less interest income)	–46	–12	–26	4	–80
SWT/SSC[1]	32	–7	–	–	25
Pension cost on defined benefit plans (expense+ / income–)	**164**	**–34**	**–35**	**7**	**102**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

For information on multiemployer plans in Norway, see note G32 "Retirement benefit obligations".

For general information on Nordea´s main DBP´s, assumptions used in the IAS 19 calculations and sensitivities, see note G32 "Retirement benefit obligations".

Local pension calculations and assumptions

The following figures are based on calculations in accordance with Swedish rules ("Tryggandelagen").

The pension obligations in the foreign branches are calculated in accordance with IAS 19.

EUR 126m (EUR 142m) of the provisions are covered by "Tryggandelagen".

Main assumptions for defined benifit obligations used in calculations according to "Tryggandelagen"

EURm	2017	2016
Discount rate	0.6%	0.7%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Specification of amounts recognised on the balance sheet

EURm	31 Dec 2017	31 Dec 2016
Present value of commitments relating to in whole or in part funded pension plans[1]	–1,468	–1,469
Fair value at the end of the period relating to specifically separated assets[1]	1,524	1,469
Surplus in the pension foundation	**56**	**0**
Present value of commitments relating to unfunded pension plans[1]	–126	–142
Unrecognised surplus in the pension foundation[1]	–56	0
Net liability (–) / asset (+) in foreign branches according to IAS 19	60	–27
Reported liability net on the balance sheet	**–66**	**–169**

1) According to local Swedish rules, "Tryggandelagen".

Actual value of holdings in the Swedish Pension Foundation

EURm	31 Dec 2017	31 Dec 2016
Shares	389	386
Interest-bearing securities	1,022	1,039
Other assets	113	44
Total	**1,524**	**1,469**

P32. Retirement benefit obligations, cont.

Movements in the net liability recognised on balance sheet as pension[1]

EURm	31 Dec 2017	31 Dec 2016
Balance at 1 Jan recognised as pension commitments	–169	–159
Through merger	–5	–
Pensions paid related to former employees of Postgirot Bank	7	7
Actuarial pension calculations through Profit and Loss	–1	–20
Recognised in other comprehensive income	62	3
Pension payments and contributions through Balance Sheet[2]	28	3
Effect of exchange rate changes	12	–3
Net liability (–) / asset (+)	**–66**	**–169**
- of which retirement benefit liabilities	262	169
- of which retirement benefit assets	196	–

1) The pension obligations in the foreign branches are calculated in accordance with IAS19.
2) Including cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Specification of costs and income in respect of pensions

EURm	2017	2016
Pensions paid related to former employees of Postgirot Bank[1]	–7	–7
Pensions paid covered by the Swedish pension foundation[1]	–62	–65
Liability to the Swedish pension foundation[1]	8	–8
Actuarial pension calculation[1]	3	–9
Actuarial pension calculation according to IAS 19	–5	4
Defined benefit plans	**–63**	**–85**
Defined contribution plans	–229	–80
Pension costs(expense-/income+)[2]	**–292**	**–165**

1) According to local Swedish rules, "Tryggandelagen".
2) See Note P8 "Staff costs".

P33. Subordinated liabilities

EURm	31 Dec 2017	31 Dec 2016
Dated subordinated debenture loans	5,947	7,007
Undated subordinated debenture loans	242	–
Hybrid capital loans	2,798	3,079
Total	**8,987**	**10,086**

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

The carrying amount at year end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 189 m (EUR 339 m).

At 31 December 2017 six loans – with terms specified below – exceeded 10% of the total outstanding volume dated subordinated loans.

P33. Subordinated liabilities, cont.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,250	1,038	Fixed
Dated loan[2]	1,000	999	Fixed
Dated loan[3]	750	748	Fixed
Dated loan[4]	1,000	829	Fixed
Dated loan[5]	750	746	Fixed
Dated loan[6]	1,000	993	Fixed

1) Maturity date 13 May 2021.
2) Maturity date 26 March 2020.
3) Maturity date 29 March 2021.
4) Maturity date 21 September 2022.
5) Call date 10 November 2020, maturity date 10 November 2025.
6) Call date 7 September 2021, maturity date 7 September 2026.

P34. Untaxed reserves

EURm	31 Dec 2017	31 Dec 2016
Accumulated excess depreciation, equipment	-	2

P35. Assets pledged as security for own liabilities

Assets pledged for own liabilities

EURm	31 Dec 2017	31 Dec 2016
Securities etc[1]	25,030	1,080
Other assets pledged	10,970	–
Total	**36,000**	**1,080**

The above pledges pertain to the following liabilities

EURm	31 Dec 2017	31 Dec 2016
Deposits by credit institutions	15,467	255
Deposits and borrowings from the public	5,646	913
Derivatives	9,611	–
Other liabilities and commitments	291	–
Total	**31,015**	**1,168**

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 P45 "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.

P36. Other assets pledged

Other assets pledged are mainly related to securities which included interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 4,943m (EUR 11,750m). The terms and conditions require day to day securities and relate to liquidity intraday/overnight. Collateral pledged on behalf of other items other 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.

P37. Contingent liabilities

EURm	31 Dec 2017	31 Dec 2016
Guarantees		
- Loan guarantees	39,416	67,928
- Other guarantees	13,142	3,682
Documentary credits	1,568	304
Other contingent liabilities	4	51
Total	**54,130**	**71,965**

In the normal business Nordea issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees.

Nordea Bank AB (publ) has issued a guarantee in favour of its Russian subsidiary JSC Nordea Bank where Nordea Bank AB (publ) guarantees specified exposures in JSC Nordea Bank. At 31 December 2017 the guarantees cover exposures amounting to EUR 1bn.

Nordea Bank AB (publ) provides a guarantee in favour of the holders of Nordea Mortgage Bank's covered bonds. At 31 December 2017 the guarantees cover exposures amounting to EUR 13bn.

Nordea Denmark, branch of Nordea Bank AB (publ) provides on an ongoing basis guarantees in favour of Nordea Kredit Realkreditaktieselskab, typically to cover the top 25% of the principal of mortgage loans disbursed. This guarantee commitment is computed on the basis of the remaining cash balance and at 31 December 2017 amounted to EUR 14bn.

The guarantee that Nordea Bank AB (publ) had issued in favour of Nordea Bank Finland Plc (EUR 60bn in 2016) where Nordea Bank AB (publ) guaranteed the majority of the exposures in the exposure class IRB corporate has been terminated due to the merger of Nordea Bank Finland Plc.

The guarantees are priced at arm's length. All internal transactions under the guarantees are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings of Nordea Bank AB (publ), provided that such liability has arisen before 31 March 2017.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Nordea Bank AB (publ) has during the year received a dividend payment from Visa Sweden Förening ek. för. amounting to EUR 64m. This payment has been recognised as "Dividends" in the income statement. The company can, if Visa Sweden Förening ek. för. so demands, be required to repay the full amount which will be followed by a reallocation between owners of Visa Sweden Förening ek. för. and a subsequent redistribution to the company. It is the company's assessment that any reallocation would not have a significant impact on the company.

Legal proceedings

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 is considered likely to have any significant adverse effect on the Group or its financial position.

P38. Commitments

EURm	31 Dec 2017	31 Dec 2016
Credit commitments	43,145	10,972
Unutilised portion overdraft facilities	34,725	15,890
Other commitments	–	131
Total	**77,870**	**26,993**

For information about derivatives see Note P19 "Derivatives and hedge accounting".

Nordea Bank AB (publ) has issued a liquidity facility for the benefit of Nordea Hypotek AB. The facility covers the amount necessary in order to ensure payment in respect of all interest and principal payments that are scheduled to fall due on existing and future covered bonds issued by Nordea Hypotek AB. The facility has been included in the table above with EUR 508m.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2017 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2017.

The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments. All disclosed commitements are irrevocable. For further information about credit commitments, see Note G1 "Accounting policies", section 25.

P39. Capital adequacy

Table A2 Transitional own funds

For information of the capital adequacy regulations see Note G38 "Capital adequacy".

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(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	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	21,020	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	173	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	**763**	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments[1]**	**27,086**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–242	–
8	Intangible assets (net of related tax liability) (negative amount)	–2,114	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–	–
11	Fair value reserves related to gains or losses on cash flow hedges	42	–
12	Negative amounts resulting from the calculation of expected loss amounts	–210	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–62	–
15	Defined-benefit pension fund assets (negative amount)	–151	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–32	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	217
	Of which: ... filter for unrealised loss 1	–	39
	Of which: ... filter for unrealised gain 1	–	177
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–2,770**	–
29	**Common Equity Tier 1 (CET1) capital**	**24,316**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,806	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	722	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments[1]**	**3,528**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–35	–
41a	**Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013**	–	–
	Of which shortfall	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–35**	–
44	**Additional Tier 1 (AT1) capital**	**3,493**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**27,809**	–

P39. Capital adequacy, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	4,669	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	241	–
50	Credit risk adjustments	58	–
51	**Tier 2 (T2) capital before regulatory adjustments**[1]	**4,968**	–
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	−61	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	−1,205	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**−1,266**	–
58	**Tier 2 (T2) capital**	**3,702**	–
59	**Total capital (TC = T1 + T2)**	**31,511**	–
60	**Total risk weighted assets**	**130,630**	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.6%	–
62	Tier 1 (as a percentage of risk exposure amount)	21.3%	–
63	Total capital (as a percentage of risk exposure amount)	24.1%	–
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)	3.3%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.8%	–
67	of which: systemic risk buffer requirement	–	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	–	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.1%	–
Amounts below the threshold 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)	153	–
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)	785	–
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)	–	–
Applicable caps to 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)	58	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	441	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	–	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

1) Prior to deduction of direct holdings.

P39. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2017		31 Dec 2016	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**8,292**	**103,656**	**6,120**	**76,502**
- of which counterparty credit risk	477	5,963	266	3,329
IRB	5,884	73,553	2,485	31,061
- sovereign	141	1,759	–	–
- corporate	4,170	52,127	2,062	25,772
- advanced	3,785	47,318	1,393	17,408
- foundation	385	4,809	669	8,364
- institutions	510	6,379	244	3,054
- retail	955	11,942	121	1,512
- secured by immovable property collateral	245	3,065	6	73
- other retail	710	8,877	115	1,439
- other	108	1,346	58	723
Standardised	2,408	30,103	3,635	45,441
- central governments or central banks	17	209	5	56
- regional governments or local authorities	–	–	2	23
- public sector entities	–	–	–	–
- multilateral development banks	–	–	0	6
- international organisations	–	–	–	–
- institutions	581	7,259	1,251	15,641
- corporate	323	4,035	137	1,707
- retail	3	42	18	231
- secured by mortgages on immovable properties	114	1,420	210	2,626
- in default	–	–	3	38
- associated with particularly high risk	58	728	–	–
- covered bonds	56	705	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	1,255	15,687	2,007	25,089
- other items	1	18	2	24
Credit Value Adjustment Risk	**94**	**1,182**	**16**	**195**
Market risk	**947**	**11,831**	**450**	**5,628**
- trading book, Internal Approach	196	2,444	13	165
- trading book, Standardised Approach	94	1,179	–	–
- banking book, Standardised Approach	657	8,208	437	5,463
Operational risk	**1,117**	**13,961**	**369**	**4,614**
Standardised	1,117	13,961	369	4,614
Additional risk exposure amount, Article 3 CRR	–	–	**8**	**102**
Sub total	**10,450**	**130,630**	**6,963**	**87,041**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	538	6,720	–	–
Total	**10,988**	**137,350**	**6,963**	**87,041**

Nordea does not have the following IRB exposure classes: equity exposures, qualifying revolving retail

P39. Capital adequacy, cont.

Leverage ratio

EURm	31 Dec 2017	31 Dec 2016
Tier 1 capital, transitional definition, EURm[1]	27,809	19,167
Leverage ratio exposure, EURm	463,779	216,455
Leverage ratio, percentage	6.0	8.9

1) Including profit for the period.

More Capital Adequacy information can be found in the section "Risk, Liquidity and Capital Management".

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons / dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument									
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
	Regulatory treatment									
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-) consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 148m	EUR 74m	EUR 831m	EUR 414m	EUR 228m	EUR 127m	EUR 457m	EUR 750m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 148m	JPY 10,000m / EUR 74m	USD 1,000m / EUR 834m	USD 500m / EUR 417m	SEK 2,250m / EUR 229m	NOK 1,250m / EUR 127m	USD 550m / EUR 459m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Equity
11	Original date of issuance	17-Sep-2004	04-Mar-2005	12-Oct-2005	23-Sep-2014	23-Sep-2014	12-Mar-2015	12-Mar-2015	12-Mar-2015	28-Nov-2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2009 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-2035 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-2035 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2019 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2024 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	13-Sep-2021 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2025 In addition tax/ regulatory call 100 per cent of nominal amount

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

Additional Tier 1 instrument										
16	Subsequent call dates, if applicable	17-Mar and 17-Sep each year after first call date	4-Mar and 4-Sep each year after first call date	12-Apr and 12-Oct each year after first call date	23-Mar and 23-Sep each year after first call date	23-Mar and 23-Sep each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date	12-Mar each year after first call date
Coupons/dividends										
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent"	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No	No
37	If yes, specify non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments							
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 167m	EUR 74m	EUR 446m (44.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 485m (64.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 699m (67.1 per cent of Nominal amount, <5 yrs to maturity)	EUR 783m (93.9 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	USD 200m / EUR 167m	JPY 10,000m / EUR 74m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,042m	USD 1,000m / EUR 834m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classi-fication	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	04-Nov-1986	22-Aug-2001	26-Mar-2010	29-Sep-2010	13-May-2011	21-Sep-2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26-Mar-2020	29-Mar-2021	13-May-2021	21-Sep-2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments						
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 173m	EUR 233m	EUR 111m	EUR 746m	EUR 993m
9	Nominal amount of instrument	SEK 1,700m / EUR 173m	SEK 2,300m / EUR 234m	JPY 15,000m / EUR 111m	EUR 750m	EUR 1,000m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015	07-Sep-2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025	07-Sep-2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template– T2, cont.

Tier 2 instruments							
Coupons/dividends							
15	Optional call date, contingent call dates and redemption amount	18-Nov-1991 In addition tax call 100 per cent of nominal amount	26-Feb-2029 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18-May and 18-Nov each year after first call date	26-Feb and 26-Aug each year after first call date	N/A	N/A	N/A	N/A
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4.50%	4.00%	4.875%	4.250%
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	Yes	Yes	No	No	No	No
37	If yes, specify non-compliant features	No explicit language requesting FSA approval for redemption	Step-up	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments						
Coupons/dividends						
15	Optional call date, contingent call dates and redemption amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call 100 per cent of nominal amount	07-Sep-2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar, 17-Jun, 17-Sep and 17-Dec each year after first call date	17-Sep each year after first call date	N/A	10-Nov each year after first call date	7-Sep each year after first call date
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1.160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

P40. Classification of financial instruments

Assets

31 Dec 2017, 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, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	42,637	–	–	–	–	–	–	42,637
Treasury bills	–	92	6,535	–	–	6,866	–	13,493
Loans to credit institutions	57,749	–	2,014	2	–	–	–	59,765
Loans to the public	129,343	–	23,164	232	–	–	–	152,739
Interest–bearing securities	–	1	16,925	1,548	–	29,476	–	47,950
Financial instruments pledged as collateral	–	–	12,430	–	–	–	–	12,430
Shares	–	–	5,235	2,648	–	–	–	7,883
Derivatives	–	–	46,044	–	1,644	–	–	47,688
Fair value changes of the hedged items in portfolio hedge of interest rate risk	85	–	–	–	–	–	–	85
Investments in group undertakings	–	–	–	–	–	–	12,532	12,532
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	1,036	1,036
Participating interest in other companies	–	–	23	–	–	–	–	23
Intangible assets	–	–	–	–	–	–	2,114	2,114
Properties and equipment	–	–	–	–	–	–	385	385
Deferred tax assets	–	–	–	–	–	–	84	84
Current tax assets	–	–	–	–	–	–	58	58
Retirement benefit assets	–	–	–	–	–	–	196	196
Other assets	1,363	–	10,905	4	–	–	3,044	15,316
Prepaid expenses and accrued income	892	–	–	–	–	–	236	1,128
Total	**232,069**	**93**	**123,275**	**4,434**	**1,644**	**36,342**	**19,685**	**417,542**

Liabilities

31 Dec 2017, 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
Deposits by credit institutions	5,891	–	–	45,844	–	51,735
Deposits and borrowings from the public	9,075	4,346	–	162,810	–	176,231
Debt securities in issue[1]	–	5,033	–	67,427	–	72,460
Derivatives	45,140	–	978	–	–	46,118
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	552	–	552
Current tax liabilities	–	–	–	–	158	158
Other liabilities	24,908	–	–	2,902	910	28,720
Accrued expenses and prepaid income	–	–	–	181	1,014	1,195
Deferred tax liabilities	–	–	–	–	174	174
Provisions	–	–	–	–	412	412
Retirement benefit liabilities	–	–	–	–	262	262
Subordinated liabilities	–	–	–	8,987	–	8,987
Total	**85,014**	**9,379**	**978**	**288,703**	**2,930**	**387,004**

1) During the year Nordea has reclassified issued structured bonds classified as Dept securities in issue on the balance sheet of EUR 4,986 from Held for trading to Designated at fair value through profit or loss within Financial liabilities at fair value through profit or loss. The reclassification has been made in order to better reflect the purpose of the instruments. There is no change in measurement. As from 2017 embedded derivatives are presented together with the host bonds as Debt securities in issue.

P40. Classification of financial instruments, cont.

Assets

31 Dec 2016, 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, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	101	–	–	–	–	–	–	101
Treasury bills	30	–	3,873	–	–	2,680	–	6,583
Loans to credit institutions	88,375	–	0	–	–	–	–	88,375
Loans to the public	39,220	–	4,506	–	–	–	–	43,726
Interest-bearing securities	26	2	3,058	–	–	7,273	–	10,359
Shares	–	–	129	1	–	–	–	130
Derivatives	–	–	2,602	–	2,066	–	–	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	–	–	–	–	–	–	0
Investments in group undertakings	–	–	–	–	–	–	5,733	5,733
Investments in group undertakings being merged	–	–	–	–	–	–	14,368	14,368
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	12	12
Participating interest in other companies	–	–	–	1	–	–	–	1
Intangible assets	–	–	–	–	–	–	1,539	1,539
Properties and equipment	–	–	–	–	–	–	132	132
Deferred tax assets	–	–	–	–	–	–	22	22
Current tax assets	–	–	–	–	–	–	204	204
Other assets	199	–	1,286	–	–	–	3,075	4,560
Prepaid expenses and accrued income	665	–	–	–	–	–	84	749
Total	**128,616**	**2**	**15,454**	**2**	**2,066**	**9,953**	**25 ,169**	**181,262**

Liabilities

31 Dec 2016, 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
Deposits by credit institutions	256	–	–	20,118	–	20,374
Deposits and borrowings from the public	1,988	–	–	56,195	–	58,183
Debt securities in issue	–	–	–	63,162	–	63,162
Derivatives	2,551	–	1,061	–	–	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,008	–	1,008
Current tax liabilities	–	–	–	–	–	0
Other liabilities	2,172	–	–	319	788	3,279
Accrued expenses and prepaid income	–	–	–	212	458	670
Provisions	–	–	–	–	307	307
Retirement benefit liabilities	–	–	–	–	169	169
Subordinated liabilities	–	–	–	10,086	–	10,086
Total	**6,967**	**–**	**1,061**	**151,100**	**1,722**	**160,850**

P40. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2017	31 Dec 2016
Carrying amount	234	–
Maximum exposure to credit risk	234	–

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

Changes in fair values of financial liabilities attributable to changes in credit risk

The funding of Markets operations is measured at fair value and classified into the category "Fair value through profit or loss". The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant.

Changes in fair values of financial assets attributable to changes in credit risk

The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2017		
Financial liabilities designated at fair value through profit or loss	9,379	9,393
2016		
Financial liabilities designated at fair value through profit or loss	–	–

P41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2017		31 Dec 2016	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	42,637	42,637	101	101
Treasury bills	13,493	13,493	6,583	6,583
Loans	212,589	213,045	132,101	132,178
Interest-bearing securities	47,950	47,950	10,359	10,359
Financial instruments pledged as collateral	12,430	12,430	–	–
Shares including participating interest in other companies	7,906	7,906	131	131
Derivatives	47,688	47,688	4,668	4,668
Other assets	12,272	12,272	1,485	1,485
Prepaid expenses and accrued income	892	892	665	665
Total	**397,857**	**398,313**	**156,093**	**156,170**
Financial liabilities				
Deposits and debt instruments	309,965	310,611	152,813	153,112
Derivatives	46,118	46,118	3,612	3,612
Other liabilities	27,810	27,810	2,491	2,491
Accrued expenses and prepaid income	181	181	212	212
Total	**384,074**	**384,720**	**159,128**	**159,427**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 "Accounting policies" and the section "Determination of fair value items measured at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value". 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 Note G40 "Assets and liabilities at fair value".

P41. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2017, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	7,163	6,238	–	13,401
Loans to credit institutions	–	2,016	–	2,016
Loans to the public	–	23,396	–	23,396
Interest-bearing securities[2]	19,996	40,220	163	60,379
Shares including participating interest in other companies	7,244	5	657	7,906
Derivatives	56	46,110	1,522	47,688
Other assets	558	10,344	7	10,909
Total	**35,017**	**128,329**	**2,349**	**165,695**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	5,891	–	5,891
Deposits and borrowings from the public	4,317	9,104	–	13,421
Debt securities in issue	–	1,024	4,009	5,033
Derivatives	42	44,990	1,086	46,118
Other liabilities	9,906	15,002	0	24,908
Total	**14,265**	**76,011**	**5,095**	**95,371**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 12,430m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	5,208	1,345	–	6,553
Loans to credit institutions	–	0	–	0
Loans to the public	–	4,506	–	4,506
Interest-bearing securities[2]	6,072	4,104	155	10,331
Shares including participating interest in other companies	130	–	1	131
Derivatives	2	4,653	13	4,668
Other assets	–	1,286	–	1,286
Total	**11,412**	**15,894**	**169**	**27,475**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	256	–	256
Deposits and borrowings from the public	–	1,988	–	1,988
Derivatives	1	3,585	26	3,612
Other liabilities	–	2,172	0	2,172
Total	**1**	**8,001**	**26**	**8,028**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 0m relates to the balance sheet item "Financial instruments pledged as collateral".

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

For determination of fair values for items measured at fair value on the balance sheet, see Note G40 "Assets and liabilities at fair value".

Transfers between Level 1 and 2

"During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 2,129m (EUR -m) from Level 1 to Level 2 and EUR 1,964m (EUR -m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transferred derivative assets of EUR 24m (EUR -m) and derivative liabilities of EUR 14m (EUR -m) from level 2 to Level 1.

The reason for the transfer from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for 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 occured at the end of the year.

P41. Assets and liabilities at fair value, cont.

Movements in Level 3

31 Dec 2017, EURm	1 Jan 2017	Through merger	Fair value gains/losses recognised in the income statement during the year		Purchases /Issues	Sales	Settle-ments	Transfers into level 3	Transfers out of level 3	Translation differences	31 Dec 2017
			Realised	Unrealised							
Intererest-bearing securities	155	17	1	7	8	–24	–1	–	0	0	163
Shares including participating interest in other companies	1	601	2	63	167	–172	–1	–	–	–4	657
Derivatives (net)	–13	390	–152	–39	–	–	152	98	–1	1	436
Other assets	–	–	–	–	–	–	–	7	–	–	7
Debt securities in issue	–	–	–	–	–	–	–	4,009	–	–	4,009

During the year Nordea Bank AB transferred (net) EUR 4,114m to Level 3 and 1m EUR from Level 3. The reason for the transfer to Level 3 was that observable market data was no longer available. The reason for the transfer from Level 3 was that observable market data was available. Transfers between levels are considered to have occurred 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 P5 Net result from items at fair value).

31 Dec 2016, EURm	1 Jan 2016	Sales	Transfers into level 3	31 Dec 2016
Interest-bearing securities	155	–	–	155
Shares including participating interest in other companies	29	–28	–	1
Derivatives (net)	1	–	–14	–13

During the year Nordea Bank AB transferred derivatives (net) EUR -14m to Level 3. The reason for the transfer to Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred 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 P5 Net result from items at fair value).

The valuation processes for fair value measurements in Level 3.

Financial instruments

For information about the valuation processes, see Note G40 "Assets and liabilities at fair value".

P41. Assets and liabilities at fair value, cont.

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

31 Dec 2017, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	161	Discounted cash flows	Credit spread	–1/+1
Corporates	2	Discounted cash flows	Credit spread	+/–0
Total	**163**			**–1/+1**
Shares including participating interest in other companies				
Private equity funds	264	Net asset value[2]		–26/26
Hedge funds	30	Net asset value[2]		–2/2
Credit Funds	203	Net asset value[2]		–16/16
Other funds	93	Net asset value[2]		–9/9
Other	67	–		–5/5
Total	**657**			**–58/58**
Derivatives				
Interest rate derivatives	315	Option model	Correlations, Volatilities	–15/16
Equity derivatives	76	Option model	Correlations, Volatilities, Dividend	–14/7
Foreign exchange derivatives	–2	Option model	Correlations, Volatilities	+/–0
Credit derivatives	25	Credit derivative model	Correlations, Volatilities, Recovery rates	–14/12
Other	22	Option model	Correlations, Volatilities	+/–0
Total	**436**			**–43/35**
Other assets				
Credit institutions	7		Credit spread	+/–0
Total	**7**			**+/–0**
Debt securities in issue				
Issued structured bonds	4,009	Credit derivative model	Correlation, Volatilities, Recovery rates	–20/20
Total	**4,009**			**–20/20**

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasoanble change of this credit spread would not affect the fair value due to callability features.
2) 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. All private equity fund investments are internally adjusted/valued based on the Private Equity and Venture Capital Valuation (IPEV) guidelines. These carrying amounts are in a range 31% to 100% compared to the values received from suppliers/custodians.

For more information about measurement of the fair values in the table above, see section “Financial assets and liabilities not held at fair value on the balance sheet” in Note G40 “Assets and liabilities at fair value”.

31 Dec 2016, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Total	**155**			**+/–0**
Shares including participating interest in other companies				
Other	1	Net asset value	–	+/–0
Total	**1**			**+/–0**
Derivatives				
Interest rate derivatives	–13	Option model	Correlations, Volatilities	–3/+3
Total	**–13**			–3/+3

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

For more information about measurement of the fair values in the table above, see section “Financial assets and liabilities not held at fair value on the balance sheet” in Note G40 “Assets and liabilities at fair value”.

P41. Assets and liabilities at fair value, cont.

Deferred day 1 profit - derivatives, net

EURm	31 Dec 2017	31 Dec 2016
Amount at beginning of year	–	–
Through merger	23	–
Deferred profit/loss on new transactions	89	–
Recognised in the income statement during the year[1]	-53	–
Amount at end of year	**59**	**–**

1) Of which EUR -2m (EUR 0m) due to transfers of derivatives from Level 3 to Level 2.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

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

	31 Dec 2017		31 Dec 2016		
EURm	Carrying amount	Fair value	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	42,637	42,637	101	101	3
Treasury bills[1,2]	92	92	30	30	1,3
Loans	187,177	187,633	127,595	127,672	3
Interest-bearing securities[2]	1	1	28	28	1,2,3
Other assets	1,363	1,363	199	199	3
Prepaid expenses and accrued income	892	892	665	665	3
Total	**232,162**	**232,618**	**128,618**	**128,695**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	285,620	286,266	150,569	150,868	3
Other liabilities	2,902	2,902	319	319	3
Accrued expenses and prepaid income	181	181	212	212	3
Total	**288,703**	**289,349**	**151,100**	**151,399**	

1) The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.
2) The fair value Treasury bills and Interest-bearing securities is EUR 93m (EUR 58m), of which EUR 92m (EUR 2m) is categorised in Level 1 and EUR 1m (EUR 0m) in Level 2 and EUR 0m (EUR 56m) in Level 3 of the fair value hierarchy.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

P42. Financial instruments set off on balance or subject to netting agreements

31 Dec 2017, 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			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	171,299	–125,507	45,792	–29,502	–	–8,869	7,421
Reverse repurchase agreements	29,578	–10,107	19,471	–	–19,471	–	–
Securities borrowing agreements	5,781	–	5,781	–	–5,781	–	–
Total	**206,658**	**–135,614**	**71,044**	**–29,502**	**–25,252**	**–8,869**	**7,421**

31 Dec 2017, 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			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	168,661	–125,507	43,154	–29,502	–	–9,611	4,041
Repurchase agreements	28,197	–10,107	18,090	–	–18,090	–	–
Securities lending agreements	3,917	–	3,917	–	–3,917	–	–
Total	**200,775**	**–135,614**	**65,161**	**–29,502**	**–22,007**	**–9,611**	**4,041**

31 Dec 2016, 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			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	9,289	–4,666	4,623	–1,486	–	–1,790	1,347
Securities borrowing agreements	4,505	–	4,505	–	–4,505	–	–
Total	**13,794**	**–4,666**	**9,128**	**–1,486**	**–4,505**	**–1,790**	**1,347**

31 Dec 2016, 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			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	8,214	–4,666	3,548	–1,486	–	–94	1,968
Securities lending agreements	2,244	–	2,244	–	–2,244	–	–
Total	**10,458**	**–4,666**	**5,792**	**–1,486**	**–2,244**	**–94**	**1,968**

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.

For more information about master netting arrangements and similar agreements see section “Enforcable master netting arrangements and similar agreements” in Note G41 “Financial instruments set off on balance or subject to netting agreements”.

P43. Disposal group held for sale

Balance sheet - Condensed[1]

EURm	31 Dec 2017	31 Dec 2016
Assets		
Loans to credit institutions	–	818
Loans to the public	–	6,589
Other assets	–	295
Total assets held for sale	**–**	**7,702**
Liabilities		
Deposits by credit institutions	–	4,308
Deposits and borrowings from the public	–	4,783
Other liabilities	–	121
Total liabilities held for sale	**–**	**9,212**

1) Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that remained subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's decision in 2016 to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities were derecognised in Nordea and instead an investment in an associated company was recognised. The completion of the transaction was conditional upon, among other things, receiving the regulatory approval of FSAs, the European Commission and the European Central Bank. After receiving all needed approvals, the transaction closed on 1 October 2017 when both banks combined their business operations.

P44. Assets and liabilities in foreign currencies

31 Dec 2017, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	157.7	82.2	64.6	48.2	58.1	6.7	417.5
Total liabilities	139.8	68.8	57.0	29.4	68.3	23.7	387.0

31 Dec 2016, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	65.7	56.5	2.6	2.0	32.1	22.4	181.3
Total liabilities	44.4	53.3	4.0	1.7	35.0	22.4	160.8

P45. 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 during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

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

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Treasury bills	2,948	–
Interest-bearing securities	9,482	–
Total	**12,430**	–

Liabilities associated with the assets

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Deposits by credit institutions	9,189	–
Deposits and borrowings from the public	2,896	–
Total	**12,085**	–
Net	**345**	–

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2017	31 Dec 2016
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	31,488	–
- of which repledged or sold	17,282	–
Securities borrowing agreements		
Received collaterals which can be repledged or sold	7,138	4,505
- of which repledged or sold	–	4,505
Total	**38,626**	**4 505**

P46. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 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		42,637	-	42,637	101	–	101
Treasury bills	P14	7,579	5,914	13,493	3,438	3,145	6,583
Loans to credit institutions	P15	46,973	12,792	59,765	61,362	27,013	88,375
Loans to the public	P15	72,817	79,922	152,739	13,973	29,753	43,726
Interest-bearing securities	P16	12,995	34,955	47,950	1,339	9,020	10,359
Financial instruments pledged as collateral	P17	3,719	8,711	12,430	–	–	–
Shares	P18	7,410	473	7,883	1	129	130
Derivatives	P19	8,488	39,200	47,688	804	3,864	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk		12	73	85	0	–	0
Investments in group undertakings	P20	–	12,532	12,532	–	5,733	5,733
Investments in group undertakings being merged	P20	–	–	–	14,368	–	14,368
Investments in associated undertakings and joint ventures	P21	–	1,036	1,036	–	12	12
Participating interest in other companies		–	23	23	–	1	1
Intangible assets	P22	17	2,097	2,114	–	1,539	1,539
Properties and equipment	P23	77	308	385	–	132	132
Deferred tax assets	P13	32	52	84	4	18	22
Current tax assets		58	–	58	204	–	204
Retirement benefit assets	P32	–	196	196	–	–	–
Other assets	P24	15,303	13	15,316	4,560	–	4,560
Prepaid expenses and accrued income	P25	809	319	1,128	404	345	749
Total assets		**218,926**	**198,616**	**417,542**	**100,558**	**80,704**	**181,262**
Deposits by credit institutions	P26	47,063	4,672	51,735	13,240	7,134	20,374
Deposits and borrowings from the public	P27	152,504	23,727	176,231	58,099	84	58,183
Debt securities in issue	P28	41,915	30,545	72,460	34,450	28,712	63,162
Derivatives	P19	7,622	38,496	46,118	1,154	2,458	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk		522	30	552	1,008	–	1,008
Current tax liabilities		158	–	158	–	0	0
Other liabilities	P29	28,713	7	28,720	3,113	166	3,279
Accrued expenses and prepaid income	P30	1,146	49	1,195	670	–	670
Deferred tax liabilities	P13	–	174	174	–	–	–
Provisions	P31	227	185	412	295	12	307
Retirement benefit liabilities	P32	6	256	262	6	163	169
Subordinated liabilities	P33	943	8,044	8,987	1,590	8,496	10,086
Total liabilities		**280,819**	**106,185**	**387,004**	**113,625**	**47,225**	**160,850**

P46. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2017 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	7,790	268	3,798	2,979	14,835
Loans to credit institutions	46,120	39,374	5,815	16,112	639	108,060
Loans to the public	7,852	55,239	19,005	51,170	45,469	178,735
Interest-bearing securities	–	5,162	13,233	37,491	4,156	60,042
Other	–	2,884	21,456	857	16,338	41,535
Total financial assets	**53,972**	**110,449**	**59,777**	**109,428**	**69,581**	**403,207**
Deposits by credit institutions	8,771	42,077	1,139	4,029	653	56,669
Deposits and borrowings from the public	138,098	30,991	4,578	1,393	3,342	178,402
- of which Deposits	138,098	22,694	4,578	1,393	3,342	170,105
- of which Borrowings	–	8,297	–	–	–	8,297
Debt securities in issue	–	26,749	16,958	33,661	7,428	84,796
- of which Debt securities in issue	–	26,160	16,543	25,521	6,467	74,691
- of which Other	–	589	415	8,140	961	10,105
Other	–	20,353	10,406	445	256	31,460
Total financial liabilities	**146,869**	**120,170**	**33,081**	**39,528**	**11,679**	**351,327**
Derivatives, cash inflow	–	31,559	5,693	27,595	8,153	73,001
Derivatives, cash outflow	–	30,236	5,656	5,656	5,656	47,204
Net exposure	**–**	**1,323**	**37**	**21,939**	**2,497**	**25,797**
Exposure	**–92,897**	**-8,398**	**26,733**	**91,839**	**60,399**	**77,676**
Cumulative exposure	**–92,897**	**–101,295**	**–74,562**	**17,277**	**77,676**	**–**

31 Dec 2016 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	3,058	430	2,966	269	6,723
Loans to credit institutions	4,490	52,181	11,389	18,616	2,427	89,103
Loans to the public	975	12,271	5,951	22,542	5,170	46,909
Interest-bearing securities	–	360	1,330	9,092	1,003	11,785
Other	–	5,163	–	–	22,466	27,629
Total financial assets	**5,465**	**73,033**	**19,100**	**53,216**	**31,335**	**182,149**
Deposits by credit institutions	4,113	6,870	2,409	6,684	379	20,455
Deposits and borrowings from the public	51,280	5,544	1,278	86	–	58,188
- of which Deposits	51,280	4,632	1,278	86	–	57,276
- of which Borrowings	–	912	–	–	–	912
Debt securities in issue	–	23,493	12,791	31,713	9,362	77,359
- of which Debt securities in issue	–	22,556	12,604	23,672	6,760	65,592
- of which Other	–	937	187	8,041	2,602	11,767
Other	–	5,235	–	–	216	5,451
Total financial liabilities	**55,393**	**41,142**	**16,478**	**38,483**	**9,957**	**161,453**
Derivatives, cash inflow	–	74,164	10,408	13,892	5,357	103,821
Derivatives, cash outflow	–	73,505	10,254	10,790	4,700	99,249
Net exposure	**–**	**659**	**154**	**3,102**	**657**	**4,572**
Exposure	**–49,928**	**32,550**	**2,776**	**17,835**	**22,035**	**25,268**
Cumulative exposure	**–49,928**	**–17,378**	**–14,602**	**3,233**	**25,268**	**–**

The table is based on contractual maturities for on balance sheet financial instruments. 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 on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 77,870m (EUR 26,993m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 54,130m (EUR 71,965m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

P47. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1 "Accounting policies", section 26 and Note G45 "Related-party transactions".

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets						
Loans and receivables	53,745	86,819	144	317	–	–
Interest-bearing securities	933	–	–	–	–	–
Derivatives	1,830	1,577	2	4	–	–
Investments in group undertakings	12,532	20,101	–	–	–	–
Other assets	1,691	704	8	–	–	–
Prepaid expenses and accrued income	456	509	–	–	–	–
Total assets	**71,187**	**109,710**	**154**	**321**	**–**	**–**
Liabilities						
Deposits	14,926	14,790	17	2	77	8
Debt securities in issue	61	54	–	–	–	–
Derivatives	3,438	2,433	–	–	–	–
Other liabilities	645	0	–	–	–	–
Accrued expenses and prepaid income	11	23	–	–	–	–
Subordinated liabilities	–	19	–	–	–	–
Total liabilities	**19,081**	**17,319**	**17**	**2**	**77**	**8**
Off balance[1]	**52,171**	**68,197**	**2,077**	**1,763**	**–**	**–**

1) Including nominal values on derivatives in associated undertakings. For 2016 guarantees to Nordea Bank Finland Plc are included, see Note P37 "Contingent liabilities".

	Group undertakings		Associated undertakings		Other related parties	
EURm	2017	2016	2017	2016	2017	2016
Net interest income and expenses	564	–168	2	1	0	0
Net fee and commission income	–543	396	1	1	0	–
Net result from items at fair value	–759	–161	4	5	–	–
Other operating income	–413	708	–	–	–	–
Total operating expenses	89	–146	–	–	–	–
Profit before loan losses	**–1,062**	**629**	**7**	**7**	**0**	**0**

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Nordea Bank AB (publ) takes part in a guarantee consortium to support Norwegian Eksportfinans ASA. For further information, see Note G45 "Related-party transactions".

P48. IFRS 9

Classification of assets and liabilities under IFRS 9

Assets

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	Fair value through profit or loss (FVPL): Designated at fair value through profit or loss (Fair value-option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Total
Cash and balances with central banks	42,637	–	–	–	–	–	42,637
Treasury bills	92	6,535	–	–	6,866	–	13,493
Loans	187,169	25,201	–	–	–	–	212,370
Interest–bearing securities	1	18,473	–	–	29,476	–	47,950
Financial instruments pledged as collateral	–	12,430	–	–	–	–	12,430
Shares	–	7,883	–	–	–	–	7,883
Derivatives	–	46,044	–	1,644	–	–	47,688
FV change of the hedged item in pf hedge of interest rate risk	85	–	–	–	–	–	85
Investments in group undertakings	–	–	–	–	–	12,532	12,532
Investments in associated undertakings and joint vetures	–	–	–	–	–	1,036	1,036
Participating interest in other companies	–	23	–	–	–		23
Intangible assets	–	–	–	–	–	2,114	2,114
Properties and equipment	–	–	–	–	–	385	385
Deferred tax assets	–	–	–	–	–	84	84
Current tax assets	–	–	–	–	–	58	58
Retirement benefit assets	–	–	–	–	–	196	196
Other assets	1,363	10,909	–	–	–	3,044	15,316
Prepaid expenses and accrued income	892	–	–	–	–	236	1,128
Total assets	**232,239**	**127,498**	**–**	**1,644**	**36,342**	**19,685**	**417,408**

Liabilities

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	Fair value through profit or loss (FVPL): Designated at fair value through profit or loss (Fair value-option)	Fair value through profit or loss (FVPL): Derivatives used for hedging	Non-financial liabilities	Total
Deposit by credit institutions	45,844	5,891	–	–	–	51,735
Deposits and borrowings from the public	162,810	9,075	4,346	–	–	176,231
Debt securities in issue	67,427	–	5,033	–	–	72,460
Derivatives	–	45,140	–	978	–	46,118
Fair value changes of the hedged items in portfolio hedge of interest rate risk	552	–	–	–	–	552
Current tax liabilities	–	–	–	–	158	158
Other liabilities	2,902	24,908	–	–	910	28,720
Accrued expenses and prepaid income	181	–	–	–	1,014	1,195
Deferred tax liabilities[1]	–	–	–	–	136	136
Provisions	–	–	–	–	453	453
Retirement benefit liabilities	–	–	–	–	262	262
Subordinated liabilities	8,987	–	–	–	–	8,987
Total liabilities	**288,703**	**85,014**	**9,379**	**978**	**2,933**	**387,007**

1) Decrease in net tax liabilities of EUR 38m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

P48. IFRS 9, cont.

Reclassification of assets and liabilities at transition

Assets, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Total
Balance at 31 Dec 2017 under IAS 39	**232,162**	**123,275**	**4,434**	**1,644**	**36,342**	**19,685**	**417,542**
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	4,200	–4,200	–	–	–	–
Reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–
Remeasurement[3]	–134	–	–	–	–	–	–134
Balance at 1 Jan 2018 under IFRS 9	**232,239**	**127,498**	**–**	**1,644**	**36,342**	**19,685**	**417,408**

Liabilities, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Total
Balance at 31 Dec 2017 under IAS 39	**288,703**	**85,014**	**9,379**	**978**	**2,930**	**387,004**
Remeasurement[4]	–	–	–	–	3	3
Balance at 1 Jan 2018 under IFRS 9	**288,703**	**85,014**	**9,379**	**978**	**2,933**	**387,007**

1) The reclassification is related to loans.
2) Shares of EUR 2,648m, interest bearing securities of EUR 1,548m and other assets of EUR 4m have been reclassified from fair value option to fair value through profit and loss mandatorily due to required classificaton based on classification criteria.
3) The FVOCI category consists of new provisions of EUR 1m and an an equal but opposite fair value measurement.
4) Increase in provision for off-balance sheet items EUR 41m, offset by a decrease in net tax liabilities of EUR 38m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

Impact on equity (retained earnings) at transition
The total impact on equity from IFRS 9 at transition amounts to EUR 137m after tax.

Reclassification of provisions at transition

EURm	Held to maturity	Loans and receivables	Amortised cost (AC)	Available for sale	Fair value through other comprehensive income (FVOCI)	Off balance	Total
Balance at 31 Dec 2017 under IAS 39	–	2,017	–	–	–	188	2,205
Reclassification to AC	–	–1,968	1,968	–	–	–	0
Reclassification to FVPL	–	–49	–	–	–	–	–49
Remeasurement under IFRS 9, collective provisions	–	–	124	–	1	41	166
Remeasurement under IFRS 9, individually provisions	–	–	10	–	–	0	10
Balance at 1 Jan 2018 under IFRS 9	–	–	2,102	–	1	229	2,332

P48. IFRS 9, cont.

Exposures measured at amortised cost and fair value through OCI, before allowances

%	
Stage 1	93.6
Stage 2	4.6
Stage 3	1.8
Total	**100.0**

Allowances for credit losses

EURm	Stage 1	Stage 2	Stage 3	Total
Loans	109	295	1,698	2,102
Interest-bearing securities	1	0	0	1
Off balance	13	43	173	229
Total	**123**	**338**	**1,871**	**2,332**

Accounting principles for financial instruments under IFRS 9

See Note G49 "IFRS 9" section Accounting principles for financial instruments under IFRS 9.

P49. Proposed distribution of earnings

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

EUR	
Share premium reserve	1,079,925,521
Retained earnings	17,180,228,052
Other free funds	2,762,284,828
Net profit for the year	3,510,086,789
Additional Tier 1 capital holders	750,000,000
Total	**25,282,525,190**

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

EUR	
Dividends paid to shareholders, EUR 0.68 per share	2,747,028,225
To be carried forward to:	
- share premium reserve	1,079,925,521
- retained earnings	17,943,286,616
- other free funds	2,762,284,828
- additional Tier 1 capital holders	750,000,000
Total	**25,282,525,190**

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

Signing of the Annual Report

The Board of Directors and the President and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European Parliament and Councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

6 February 2018

Björn Wahlroos
Chairman

Lars G Nordström
Vice Chairman

Kari Ahola
Board member[1]

Pernille Erenbjerg
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Maria Varsellona
Board member

Lars Wollung
Board member

Casper von Koskull
President and Group CEO

Our audit report was submitted on 9 February 2018

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

1) Employee representative.

Auditor's report

To the Annual general meeting of the shareholders of Nordea Bank AB (publ), corporate identity number 516406-0120

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordea Bank AB (publ) for the year 2017, except for the corporate governance statement and the statutory sustainability report on pages 59-66 and 67-68 respectively. The annual accounts and consolidated accounts of the company are included on pages 35-229 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit institutions and Securities Companies. Our opinions do not cover the corporate governance report and the statutory sustainability report on pages 59-66 and 67-68 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The Nordea Group has centralised group functions combined with global processes covering each business area.
We have organised the audit work by having our central team carry out the testing of centralised systems and processes whereby local auditors carry out the audit of systems and processes in each business area and entities.

Full scope audit is performed for entities with high significance and risk to the group. The procedures applied generally include an assessment and testing of controls over key business processes, analytical procedures of individual account balances, tests of accounting records through inspection, observation or confirmation, and obtaining corroborating audit evidence in response to inquiries.

For some entities, even though not considered to have high significance or risk, it is required from a group audit perspective to obtain assurance on certain focus areas. In these cases, local audit teams are instructed to perform certain audit procedures. The procedures applied generally include a detailed analytical review, reconciliation to underlying sub-ledgers, substantive testing for specific processes, areas and accounts, discussion with management regarding accounting, tax and internal control as well as follow-ups on known issues from previous periods.

Our audit is carried out continuously during the year. Formal reporting to the Board Audit Committee and the Board of Directors consist of our i) interim audit regarding internal control and management's administration and ii) results of our year-end audit. In addition, we have also performed a limited review of the interim report as of 30 June 2017 that has been reported to the Board Audit Committee and the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

In the table below we set out how we tailored our audit for these key audit matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans to customers	
Accounting for impairment of loans to customers require management's judgement over timing of recognition of impairment and the size of any such impairment allowance. Nordea makes allowances for incurred credit losses both on an individual and on a collective basis. Important areas of impairment of loans to customers relate to: • Identification of impaired loans including completeness of the customer accounts that are included in the impairment calculation • Assumptions and estimates made by management supporting the calculation of individual and collective impairment allowances. Examples of these relate to the probability of default and loss given default calculations. Nordea applies IFRS 9 Financial Instruments from 1 January 2018. To estimate the recoverable amounts for loan receivables in accordance with IFRS 9 requires further judgements compared to IAS 39. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G10 – Net loan losses and Note G13 – Loans and impairment.	We assessed and tested the design and operating effectiveness of the controls over: • rating and scoring of customers • individually assessed loan impairment calculations • collectively assessed loan impairment calculations We performed testing on a sample of loans to ascertain whether we concur with the risk assessment as expressed by the internal rating or scoring. We had a special focus on loans to customers in the shipping, offshore and oil services. We tested impairment calculations on a sample of significant impaired loans including assessment of expected future cash flow. In addition, we examined a sample of loans and advances which had not been identified by management as impaired. We also assessed the appropriateness of relevant parameters in the collective impairment models. Furthermore, we have performed sample based audit activities of the effect of the transition to IFRS 9, which has included: • evaluation of Nordea's documentation of critical judgement; • validation that these critical judgements have been applied in models; and • recalculations of provisioning amounts.
Valuation of certain Level II and III financial instruments held at fair value	
Given the ongoing volatility and macroeconomic uncertainty, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilises observable, and for level III unobservable inputs, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Disclosures of financial instruments Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G18 – Derivatives and Hedge accounting, Note G39 – Classification of financial instruments and Note G40 – Assets and liabilities at fair value.	We assessed and tested the design and operating effectiveness of the controls over: • the identification, measurement and oversight of valuation of financial instruments • fair value hierarchy, fair value adjustments and independent price verification • model control and governance We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgement, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically Credit, Debt and Funding fair value adjustments (CVA, DVA and FFVA) for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.

Actuarial assumptions related to the Life business

Technical provisions involve subjective judgements over uncertain future outcomes. The value is based on models where significant judgement is applied in setting economic assumptions, actuarial assumptions as well as customer behaviour. Changes in these assumptions can materially impact the valuation of technical provisions. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and Note G27 – Liabilities to policyholders	We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business. Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

IT systems supporting processes over financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.	We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to programs and data as well as program development and changes. For logical access to programs and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT systems.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4-34 and 67-68. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act for Credit institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance report on pages 59-66 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the the Annual Accounts Act for Credit Institutions and Securities Companies.

The auditor's statement of the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 67-68, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Nordea Bank AB AB by the general meeting of the shareholders on 16 March 2017 and has been the company's auditor since 19 March 2015.

Stockholm, 9 February 2018

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

ANNEX 3
UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

Income statement

EURm	Note	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating income						
Interest income calculated using the effective interest rate method		1,557	1,496	4,611	4,345	5,843
Other interest income		319	353	1,000	1,050	1,410
Interest expense		-793	-726	-2,401	-2,046	-2,762
Net interest income		**1,083**	**1,123**	**3,210**	**3,349**	**4,491**
Fee and commission income		976	906	2,905	2,877	3,846
Fee and commission expense		-220	-203	-669	-604	-853
Net fee and commission income	3	**756**	**703**	**2,236**	**2,273**	**2,993**
Net result from items at fair value	4	211	205	758	906	1,088
Profit from associated undertakings and joint ventures accounted for under the equity method		13	48	51	109	124
Other operating income		22	18	86	416	476
Total operating income		**2,085**	**2,097**	**6,341**	**7,053**	**9,172**
Operating expenses						
General administrative expenses:						
Staff costs		-924	-726	-2,369	-2,254	-2,998
Other expenses	5	-366	-323	-1,264	-1,176	-1,566
Depreciation, amortisation and impairment charges of tangible and intangible assets		-885	-87	-1,174	-232	-482
Total operating expenses		**-2,175**	**-1,136**	**-4,807**	**-3,662**	**-5,046**
Profit before loan losses		**-90**	**961**	**1,534**	**3,391**	**4,126**
Net loan losses	6	-331	-44	-434	-143	-173
Operating profit		**-421**	**917**	**1,100**	**3,248**	**3,953**
Income tax expense		89	-193	-308	-672	-872
Net profit for the period		**-332**	**724**	**792**	**2,576**	**3,081**
Attributable to:						
Shareholders of Nordea Bank Abp (Nordea Bank AB (publ))		-332	724	766	2,565	3,070
Additional Tier 1 capital holders		-	-	26	7	7
Non-controlling interests		-	-	-	4	4
Total		**-332**	**724**	**792**	**2,576**	**3,081**
Basic earnings per share, EUR		-0.08	0.18	0.19	0.64	0.76
Diluted earnings per share, EUR		-0.08	0.18	0.19	0.64	0.76

Statement of comprehensive income

EURm	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net profit for the period	**-332**	**724**	**792**	**2,576**	**3,081**
Items that may be reclassified subsequently to the income statement					
Currency translation differences during the period	-124	71	-91	-52	-240
Tax on currency translation differences during the period	-	-1	1	-2	-2
Hedging of net investments in foreign operations:					
Valuation gains/losses during the period	67	-32	25	-16	67
Tax on valuation gains/losses during the period	-13	7	-2	2	-19
Fair value through other comprehensive income:[1]					
Valuation gains/losses during the period, net of recycling	-22	-21	-11	-23	-58
Tax on valuation gains/losses during the period	4	5	2	5	13
Cash flow hedges:					
Valuation gains/losses during the period, net of recycling	20	-10	21	10	44
Tax on valuation gains/losses during the period	-5	2	-4	-2	-10
Items that may not be reclassified subsequently to the income statement					
Changes in own credit risk related to liabilities classified as fair value option:					
Valuation gains/losses during the period	1	3	-13	12	20
Tax on valuation gains/losses during the period	1	-1	3	-3	-4
Defined benefit plans:					
Remeasurement of defined benefit plans	-185	-58	-442	-58	-173
Tax on remeasurement of defined benefit plans	41	13	97	12	36
Other comprehensive income, net of tax	**-215**	**-22**	**-414**	**-115**	**-326**
Total comprehensive income	**-547**	**702**	**378**	**2,461**	**2,755**
Attributable to:					
Shareholders of Nordea Bank Abp (Nordea Bank AB (publ))	-547	702	352	2,450	2,744
Additional Tier 1 capital holders	-	-	26	7	7
Non-controlling interests	-	-	-	4	4
Total	**-547**	**702**	**378**	**2,461**	**2,755**

[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	30 Sep 2019	31 Dec 2018	30 Sep 2018
Assets				
Cash and balances with central banks		31,337	41,578	43,173
Loans to central banks	7	8,153	7,642	6,441
Loans to credit institutions	7	20,067	11,320	16,384
Loans to the public	7	328,268	308,304	316,494
Interest-bearing securities		66,202	76,222	74,900
Financial instruments pledged as collateral		6,092	7,568	9,807
Shares		14,919	12,452	15,061
Assets in pooled schemes and unit-linked investment contracts		29,350	24,583	26,829
Derivatives		51,791	37,025	36,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk		372	169	131
Investments in associated undertakings and joint ventures		1,377	1,601	1,617
Intangible assets		3,595	4,035	4,146
Property and equipment		1,972	546	576
Investment properties		1,603	1,607	1,638
Deferred tax assets		334	164	63
Current tax assets		782	284	504
Retirement benefit assets		156	246	280
Other assets		18,316	14,749	15,233
Prepaid expenses and accrued income		1,169	1,313	1,442
Assets held for sale	11	-	-	1,335
Total assets		**585,855**	**551,408**	**572,767**
Liabilities				
Deposits by credit institutions		45,308	42,419	51,506
Deposits and borrowings from the public		168,326	164,958	174,191
Deposits in pooled schemes and unit-linked investment contracts		30,274	25,653	27,767
Liabilities to policyholders		19,051	18,230	19,331
Debt securities in issue		190,859	190,422	187,094
Derivatives		53,742	39,547	39,084
Fair value changes of the hedged items in portfolio hedge of interest rate risk		3,248	1,273	830
Current tax liabilities		304	414	711
Other liabilities		30,688	23,315	24,951
Accrued expenses and prepaid income		1,578	1,696	1,673
Deferred tax liabilities		727	706	615
Provisions		612	321	312
Retirement benefit obligations		694	398	340
Subordinated liabilities		9,907	9,155	9,181
Liabilities held for sale	11	-	-	2,566
Total liabilities		**555,318**	**518,507**	**540,152**
Equity				
Additional Tier 1 capital holders		750	750	750
Non-controlling interests		43	6	0
Share capital		4,050	4,050	4,050
Share premium reserve		-	-	1,080
Invested unrestricted equity		1,080	1,080	-
Other reserves		-2,290	-1,876	-1,665
Retained earnings		26,904	28,891	28,400
Total equity		**30,537**	**32,901**	**32,615**
Total liabilities and equity		**585,855**	**551,408**	**572,767**
Assets pledged as security for own liabilities		182,238	171,899	176,734
Other assets pledged		4,532	4,788	4,218
Contingent liabilities		17,687	17,819	17,278
Credit commitments[1]		76,959	73,287	75,187
Other commitments		1,722	1,192	1,191

[1] Including unutilised portion of approved overdraft facilities of EUR 29,892m (31 Dec 2018: EUR 29,626m, 30 Sep 2018: EUR 29,328m).

Statement of changes in equity

EURm	Share capital[1]	Invested un-restricted equity	Trans-lation of foreign opera-tions	Cash flow hedges	Fair value through other compre-hensive income	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Addi-tional Tier 1 capital holders	Non-cont-rolling interests	Total equity
	Attributable to shareholders of Nordea Bank Abp		Other reserves:									
Balance at 1 Jan 2019	**4,050**	**1,080**	**-1,914**	**-12**	**59**	**-17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Net profit for the period	-	-	-	-	-	-	-	766	766	26	-	792
Other comprehensive income, net of tax	-	-	-67	17	-9	-345	-10	-	-414	-	-	-414
Total comprehensive income	-	-	-67	17	-9	-345	-10	766	352	26	-	378
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Share-based payments	-	-	-	-	-	-	-	15	15	-	-	15
Dividend 2018	-	-	-	-	-	-	-	-2,788	-2,788	-	-	-2,788
Divestment of own shares[1]	-	-	-	-	-	-	-	20	20	-	-	20
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	37	37
Balance at 31 Sep 2019	**4,050**	**1,080**	**-1,981**	**5**	**50**	**-362**	**-2**	**26,904**	**29,744**	**750**	**43**	**30,537**
Balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**103**	**120**	**-**	**28,811**	**32,398**	**750**	**168**	**33,316**
Restatement due to changed accounting policy, net of tax[3]	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**104**	**120**	**-8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the period	-	-	-	-	-	-	-	3,070	3,070	7	4	3,081
Other comprehensive income, net of tax	-	-	-194	34	-45	-137	16	-	-326	-	-	-326
Total comprehensive income	-	-	-194	34	-45	-137	16	3,070	2,744	7	4	2,755
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	-7
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	-2,747
Purchase of own shares[1]	-	-	-	-	-	-	-	-6	-6	-	-	-6
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-166	-166
Balance at 31 Dec 2018	**4,050**	**1,080**	**-1,914**	**-12**	**59**	**-17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**103**	**120**	**-**	**28,811**	**32,398**	**750**	**168**	**33,316**
Restatement due to changed accounting policy, net of tax[3]	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**104**	**120**	**-8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the period	-	-	-	-	-	-	-	2,565	2,565	7	4	2,576
Other comprehensive income, net of tax	-	-	-68	8	-18	-46	9	-	-115	-	-	-115
Total comprehensive income	-	-	-68	8	-18	-46	9	2,565	2,450	7	4	2,461
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	-7
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	-2,747
Purchase of own shares[1]	-	-	-	-	-	-	-	8	8	-	-	8
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-172	-172
Balance at 31 Sep 2018	**4,050**	**1,080**	**-1,788**	**-38**	**86**	**74**	**1**	**28,400**	**31,865**	**750**	**0**	**32,615**

[1] Total shares registered were 4,050 million (31 Dec 2018: 4,050 million, 30 Sep 2018: 4,050 million). The number of own shares were 12.7 million (31 Dec 2018: 15.9 million, 30 Sep 2018: 12.5 million) which represents 0.3% (31 Dec 2018: 0.4%, 30 Sep 2018: 0.3%) of the total shares in Nordea. Each share represents one voting right.

[2] Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holdings of own shares related to LTIP were 9.6 million (31 Dec 2018: 9.6 million, 30 Sep 2018: 9.6 million).

[3] Related to the implementation of IFRS 9 and IFRS 15, see Annual report 2018.

Cash flow statement, condensed

EURm	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating activities			
Operating profit	1,100	3,248	3,953
Adjustments for items not included in cash flow	6,331	1,469	1,238
Income taxes paid	-898	-769	-1,024
Cash flow from operating activities before changes in operating assets and liabilities	**6,533**	**3,948**	**4,167**
Changes in operating assets and liabilities	-13,063	1,543	-1,536
Cash flow from operating activities	**-6,530**	**5,491**	**2,631**
Investing activities			
Acquisition/sale of business operations	-447	463	646
Acquisition/sale of associated undertakings and joint ventures	710	20	9
Acquisition/sale of property and equipment	-26	-20	-18
Acquisition/sale of intangible assets	-368	-391	-608
Acquisition/sale of other financial fixed assets	-	-2	-
Cash flow from investing activities	**-131**	**70**	**29**
Financing activities			
Issued/amortised subordinated liabilities	511	142	-28
Divestment/repurchase of own shares including change in trading portfolio	20	8	-6
Dividend paid	-2,788	-2,747	-2,747
Paid interest on Additional Tier 1 capital	-26	-7	-7
Cash flow from financing activities	**-2,283**	**-2,604**	**-2,788**
Cash flow for the period	**-8,944**	**2,957**	**-128**

Cash and cash equivalents EURm	30 Sep 2019	30 Sep 2018	31 Dec 2018
Cash and cash equivalents at beginning of the period	46,009	46,213	46,213
Translation difference	457	1	-76
Cash and cash equivalents at end of the period	37,522	49,171	46,009
Change	**-8,944**	**2,957**	**-128**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	31,337	43,173	41,578
Loans to central banks	5,283	3,981	2,759
Loans to credit institutions	902	2,017	1,672
Total cash and cash equivalents	**37,522**	**49,171**	**46,009**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal systems under government authority, where the following conditions are fulfilled:
- the central bank or the postal giro system is domiciled in the country where the institution is established.
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

The consolidated interim financial statements are presented in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with Note G1 in the Annual Report 2018, except for related to the items presented in the section "Changed accounting policies and presentation" below. For more information see Note G1 in the Annual Report 2018.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea 1 January 2019.

IFRS 16 "Leases"

The new standard IFRS 16 "Leases" changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) are accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments are recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. IFRS 16 was implemented by Nordea as from 1 January 2019. Nordea applied the modified retrospective approach, which means that IFRS 16 has been applied from 1 January 2019 with no restatement of comparative figures.

The main impact on Nordea's financial statements comes from the accounting of property leases. Such leasing contracts are under IFRS 16 accounted for on the balance sheet to a larger extent than under the earlier requirements. The right of use asset, presented as "Properties and equipment" on the balance sheet, amounted to EUR 1,521m at transition on 1 January 2019. The increase of total assets was EUR 1,163m considering also a reclassification of already existing prepaid lease expenses. There was no impact on equity at transition.

The impact on the CET1 ratio was negative by 12 basis points following an increase in REA. More information about the transition to IFRS 16 can be found in Note G49 in the Annual Report 2018.

The impact in 2019 can be found in the below table.

	Q3 2019			Jan-Sep 2019		
EURm	Old policy	Chg	New policy	Old policy	Chg	New policy
Interest expense	-790	-3	-793	-2,392	-9	-2,401
Other expense	-411	45	-366	-1,398	134	-1,264
Depreciation, amortisation and impairment charges of tangible and intrangible assets	-840	-45	-885	-1,043	-131	-1,174
Income tax expenses	89	0	89	-309	1	-308
Impact on net profit for the period		-3			-5	

	30 Sep 2019		
EURm	Old policy	Chg	New policy
Properties and equipment	511	1,461	1,972
Prepaid expenses and accrued income	1,477	-308	1,169
Other liabilities	29,529	1,159	30,688
Current tax liabilities	305	-1	304
Retained earnings	26,909	-5	26,904

Changed recognition and presentation of resolution fees

As from 1 January 2019 Nordea recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The earlier policy was to amortise these fees over the year and present the expense as "Interest expense". The change mainly reflects the change in the structure of the resolution fees following the re-domiciliation to Finland.

Comparative figures have been restated accordingly and the impact, together with the impact in 2019 can be found in the below table.

	Q3 2019			Q3 2018			Jan-Sep 2019		
EURm	Old policy	Chg	New policy	Old policy	Chg	New policy	Old policy	Chg	New policy
Interest expense	-845	52	-793	-777	51	-726	-2,556	155	-2,401
Other expenses	-366	-	-366	-323	-	-323	-1,057	-207	-1,264
Income tax expense	101	-12	89	-182	-11	-193	-320	12	-308
Impact on net profit for the period		40			40			-40	
Impact on EPS/DEPS, EUR		0.01			0.01			-0.01	

	Jan-Sep 2018			Full year 2018		
EURm	Old policy	Chg	New policy	Old policy	Chg	New policy
Interest expense	-2,197	151	-2,046	-2,929	167	-2,762
Other expenses	-1,009	-167	-1,176	-1,399	-167	-1,566
Income tax expense	-675	3	-672	-872	-	-872
Impact on net profit for the period		-13			-	
Impact on EPS/DEPS, EUR		0.00			-	

	30 Sep 2019			31 Dec 2018			30 Sep 2018		
EURm	Old policy	Chg	New policy	Old policy	Chg	New policy	Old policy	Chg	New policy
Current tax liabilities	316	-12	304	414	-	414	714	-3	711
Accrued expenses and prepaid income	1,526	52	1,578	1,696	-	1,696	1,657	16	1,673
Retained earnings	26,944	-40	26,904	28,891	-	28,891	28,413	-13	28,400

Presentation of fair value adjustments

As from 1 January 2019 Nordea presents all other valuation adjustment except DVA as an adjustment to derivatives with positive fair value and DVA as an adjustment to derivatives with negative fair value on the balance sheet. The impact per 30 September 2019 was a decrease of derivatives with positive fair value and derivatives with negative fair value by EUR 272m. Comparative figures have not been restated.

Other amendments

The following new and amended standards issued by IASB were implemented by Nordea 1 January 2019 but have not had any significant impact on the financial statements of Nordea:

- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle

Changes in IFRSs not yet applied

IFRS 17 "Insurance contracts"

The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash-flows, risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II capital requirement directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognised in the income statement at the time when the contract is signed and approved.

IFRS 17 is effective for annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry, the IASB board has proposed to amend IFRS 17. The amendments include a one-year deferral of the effective date to 1 January 2022. The standard is not yet endorsed by the European Commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

Amendments to IAS 39 and IFRS 7 "Interest rate benchmark reform"

In September 2019, IASB published amendments to IAS 39, IFRS 9 and IFRS 7 as a consequence of the coming reform of benchmark interest rates. The amendments give some relief in relation to hedge accounting. Under the amendments, the hedge accounting requirements should be evaluated assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Early application is permitted, and Nordea will exercise this option if the amendments are endorsed by EU. It is expected the amendments will result in that the hedge relationships in Nordea will pass the effectiveness test and that hedge accounting can continue as before during the relief period. The amendment is not assessed to have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application of the amendments compared to the current situation.

Other amendments to IFRS

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

Acquisition of Gjensidige Bank

On 2 July 2018, Nordea entered into an agreement with Gjensidige Forsikring to acquire all shares in Gjensidige Bank. The transaction was closed on 1 March 2019, when Nordea received final approval from the Norwegian regulators. 1 March is the acquisition date and the date from which the acquired assets and liabilities are recognised on Nordea's balance sheet. Assets and liabilities acquired are disclosed in the table below.

The following purchase price allocation (PPA) has been established as of 1 March 2019.

EURm	1 Mar 2019
Loans to the public[1]	5,185
Interest-bearing securities	608
Accruals and other assets	93
Deposits from the public	-2,315
Debt securities in issue[1]	-3,022
Accruals and other liabilities	-108
Acquired net assets	441
Purchase price, settled in cash	576
Cost of combination	576
Surplus value	135
Allocation of surplus value:	
Non-controlling interest	-46
Customer intangible	29
Brands	8
Deferred tax libiltity	-6
Goodwill	150

[1] Including adjustments for fair value for loans and debt securities in issue measured at amortised cost in Gjensidige

Nordea has identified a number of intangible assets in the acquisition. Two different customer related intangibles have been identified, one for deposit customers and one for lending customers. The value of the deposit customers is related to the funding they provide at interest rates lower than other funding. The customer intangible related to lending reflects the profit generated in specific portfolios. The amortisation of the deposit related intangible is made over eight years, while the intangible related to the loans is amortised over four years, reflecting the pace at which customers can be expected to leave. The consumer finance business in Gjensidige is distributed through the brand Oppfinans, which is included in the acquisition. The brand has been valued using a royalty rate of 3.5%. Goodwill arises mainly due to the synergies Nordea expects to achieve. Integrating the business in Gjensidige into Nordea will create cost synergies as well as some income synergies. The brand and the goodwill are expected to have indefinite lives and are consequently not amortised.

The Additional Tier 1 instrument accounted for as equity in Gjensidige will be reported as a non-controlling interest in the Nordea consolidated accounts.

The impact on Nordea's net profit for the year is insignificant.

Exchange rates

	Jan-Sep 2019	Jan-Dec 2018	Jan-Sep 2018
EUR 1 = SEK			
Income statement (average)	10.5660	10.2608	10.2414
Balance sheet (at end of period)	10.6985	10.2330	10.3090
EUR 1 = DKK			
Income statement (average)	7.4644	7.4533	7.4503
Balance sheet (at end of period)	7.4662	7.4672	7.4564
EUR 1 = NOK			
Income statement (average)	9.7720	9.6033	9.5900
Balance sheet (at end of period)	9.8937	9.9470	9.4665
EUR 1 = RUB			
Income statement (average)	73.1143	74.0484	73.3826
Balance sheet (at end of period)	70.7395	79.3826	76.1422

Note 2 Segment reporting

Jan-Sep 2019	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance & Treasury	Other operating segments	Total operating segments	Recon-ciliation	**Total Group**
	Operating segments								
Total operating income, EURm	2,651	1,602	1,200	1,206	131	31	6,821	-480	**6,341**
- of which internal transactions[1]	-491	-200	-356	-16	1,075	-12	0	-	**-**
Operating profit, EURm	1,034	622	253	642	97	-1,019	1,629	-529	**1,100**
Loans to the public[2], EURbn	154	83	50	8	-	1	296	32	**328**
Deposits and borrowings from the public[2], EURbn	74	42	34	10	-	1	161	7	**168**

Jan-Sep 2018	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance & Treasury	Other operating segments	Total operating segments	Recon-ciliation	**Total Group**
Total operating income, EURm	2,622	1,666	1,439	1,276	65	204	7,272	-219	**7,053**
- of which internal transactions[1]	-379	-177	-345	-10	922	-11	0	-	**-**
Operating profit, EURm	1,082	760	614	690	87	194	3,427	-179	**3,248**
Loans to the public[2], EURbn	144	81	48	8	-	1	282	34	**316**
Deposits and borrowings from the public[2], EURbn	70	40	36	11	-	1	158	16	**174**

[1] IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Finance & Treasury.
[2] The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision Maker.

Breakdown of Personal Banking, Commercial & Business Banking, Wholesale Banking and Asset & Wealth Management

	Personal Banking Denmark		Personal Banking Finland		Personal Banking Norway		Personal Banking Sweden		Personal Banking Other		**Personal Banking**	
	Jan-Sep		**Jan-Sep**		**Jan-Sep**		**Jan-Sep**		**Jan-Sep**		**Jan-Sep**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Total operating income, EURm	746	751	591	610	464	397	856	881	-6	-17	**2,651**	**2,622**
- of which internal transactions	-244	-124	-72	-64	-70	-117	-108	-78	3	4	**-491**	**-379**
Operating profit, EURm	284	295	223	222	173	187	371	437	-17	-59	**1,034**	**1,082**
Loans to the public, EURbn	38	37	33	33	36	29	47	45	-	-	**154**	**144**
Deposits and borrowings from the public, EURbn	18	18	22	21	11	9	23	22	-	-	**74**	**70**

	Business Banking		Business Banking Direct		Commercial & Business Banking Other		**Commercial & Business Banking**	
	Jan-Sep		**Jan-Sep**		**Jan-Sep**		**Jan-Sep**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Total operating income, EURm	1,291	1,385	318	292	-7	-11	**1,602**	**1,666**
- of which internal transactions	-203	-174	3	-4	0	1	**-200**	**-177**
Operating profit, EURm	562	750	127	80	-67	-70	**622**	**760**
Loans to the public, EURbn	71	69	12	12	-	-	**83**	**81**
Deposits and borrowings from the public, EURbn	31	29	11	11	-	-	**42**	**40**

Note 2 Continued

	Corporate & Investment Banking Jan-Sep		Financial Institutions & International Banks Jan-Sep		Banking Russia Jan-Sep		Capital Markets unallocated Jan-Sep		Wholesale Banking Other Jan-Sep		**Wholesale Banking Jan-Sep**	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	**2019**	**2018**
Total operating income, EURm	994	1,043	250	225	49	59	-77	120	-16	-8	**1,200**	**1,439**
- of which internal transactions	-262	-230	-23	-32	-40	-40	-27	-36	-4	-7	**-356**	**-345**
Operating profit, EURm	364	622	62	58	65	-35	-193	21	-45	-52	**253**	**614**
Loans to the public, EURbn	46	44	2	2	2	2	-	-	-	-	**50**	**48**
Deposits and borrowings from the public, EURbn	24	24	9	11	1	1	-	-	-	-	**34**	**36**

	Private Banking Jan-Sep		Asset Management Jan-Sep		Life & Pension unallocated Jan-Sep		Asset & Wealth Management Other Jan-Sep		**Asset & Wealth Management Jan-Sep**	
	2019	2018	2019	2018	2019	2018	2019	2018	**2019**	**2018**
Total operating income, EURm	398	424	674	686	320	358	-186	-192	**1,206**	**1,276**
- of which internal transactions	-14	-10	0	1	-2	-1	0	0	**-16**	**-10**
Operating profit, EURm	131	119	449	469	226	237	-164	-135	**642**	**690**
Loans to the public, EURbn	8	8	-	-	-	-	-	-	**8**	**8**
Deposits and borrowings from the public, EURbn	10	11	-	-	-	-	-	-	**10**	**11**

Reconciliation between total operating segments and financial statements

	Operating profit, EURm Jan-Sep		Loans to the public, EURbn Jan-Sep		Deposits and borrowings from the public, EURbn Jan-Sep	
	2019	2018	2019	2018	2019	2018
Total operating segments	1,629	3,427	296	282	161	158
Group functions[1]	-138	-90	-	-	-	-
Unallocated items	-39	280	37	33	10	16
Differences in accounting policies[2]	-352	-369	-5	1	-3	0
Total	**1,100**	**3,248**	**328**	**316**	**168**	**174**

[1] Consists of Group Business Risk Management, Group Internal Audit, Chief of staff office, Group Legal, Group Corporate Centre and Group Risk and Compliance.

[2] Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Measurement of operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business areas" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Financial results are presented for the main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Asset & Wealth Management, with a further breakdown on operating segments, and the operating segment Group Finance & Treasury. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Note 3 Net fee and commission income

EURm	Q3 2019	Q2 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Asset management commissions	359	361	358	1,067	1,080	1,440
Life & Pensions	62	61	54	185	194	258
Deposit Products	6	5	6	16	16	23
Brokerage, securities issues and corporate finance	36	57	21	123	120	173
Custody and issuer services	10	11	10	24	34	49
Payments	70	77	73	233	230	302
Cards	67	50	57	174	169	218
Lending products	113	99	98	314	307	399
Guarantees	34	22	31	80	94	116
Other	-1	0	-5	20	29	15
Total	**756**	**743**	**703**	**2,236**	**2,273**	**2,993**

Break-down Jan-Sep 2019 EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance and Treasury	Other and elimination	Nordea Group
Asset management commissions	130	25	4	908	0	0	1,067
Life & Pensions	43	20	3	119	0	0	185
Deposit Products	6	9	1	0	0	0	16
Brokerage, securities issues and corporate finance	14	22	63	24	0	0	123
Custody and issuer services	5	3	23	0	-5	-2	24
Payments	62	119	50	1	1	0	233
Cards	119	37	10	0	0	8	174
Lending products	99	89	123	2	1	0	314
Guarantees	8	27	48	0	-3	0	80
Other	14	7	15	-17	0	1	20
Total	**500**	**358**	**340**	**1,037**	**-6**	**7**	**2,236**

Break-down Jan-Sep 2018 EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance and Treasury	Other and elimination	Nordea Group
Asset management commissions	130	31	11	908	0	0	1,080
Life & Pensions	44	18	3	129	0	0	194
Deposit Products	7	8	1	0	0	0	16
Brokerage, securities issues and corporate finance	21	15	64	21	-1	0	120
Custody and issuer services	8	4	25	4	-7	0	34
Payments	70	122	43	-1	1	-5	230
Cards	133	25	9	1	0	1	169
Lending products	89	73	145	0	0	0	307
Guarantees	5	32	57	0	0	0	94
Other	17	15	7	3	-3	-10	29
Total	**524**	**343**	**365**	**1,065**	**-10**	**-14**	**2,273**

Note 4 Net result from items at fair value

EURm	Q3 2019	Q2 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Equity related instruments	58	135	19	428	174	226
Interest related instruments and foreign exchange gains/losses	165	103	136	254	565	684
Other financial instruments (including credit and commodities)	-17	35	28	30	71	55
Investment properties	0	0	1	0	0	0
Life	5	10	21	46	96	123
Total	**211**	**283**	**205**	**758**	**906**	**1,088**

[1] Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

Break-down of life insurance

EURm	Q3 2019	Q2 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Equity related instruments	343	223	147	1,234	90	-515
Interest related instruments and foreign exchange gains/losses	16	91	64	257	17	-65
Investment properties	40	28	26	88	89	125
Change in technical provisions[1]	-446	-425	-164	-1,558	-275	20
Change in collective bonus potential	43	85	-63	-2	139	512
Insurance risk income	18	17	16	51	75	91
Insurance risk expense	-9	-9	-5	-24	-39	-45
Total	**5**	**10**	**21**	**46**	**96**	**123**

[1] Premium income amounts to EUR 56m for Q3 2019 and EUR 208m for Jan-Sept 2019 (Q3 2018: EUR 58m, Jan-Sept 2018: EUR 768m).

Note 5 Other expenses

EURm	Q3 2019	Q2 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Information technology	-125	-137	-122	-390	-364	-484
Marketing and representation	-13	-14	-11	-39	-34	-60
Postage, transportation, telephone and office expenses	-15	-17	-19	-50	-63	-83
Rents, premises and real estate	-29	-27	-71	-86	-229	-312
Resolution fee	-2	-1	0	-210	-167	-167
Other	-182	-108	-100	-489	-319	-460
Total	**-366**	**-304**	**-323**	**-1,264**	**-1,176**	**-1,566**

Note 6 Net loan losses

EURm	Q3 2019	Q2 2019	Q3 2018
Net loan losses, stage 1	-35	14	-38
Net loan losses, stage 2	-49	-3	-5
Net loan losses, non-defaulted	**-84**	**11**	**-43**
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	-40	8	20
Realised loan losses	-75	-144	-115
Decrease of provisions to cover realised loan losses	49	108	50
Recoveries on previous realised loan losses	8	7	8
Reimbursement right	-12	2	-
New/increase in provisions	-222	-119	-158
Reversals of provisions	45	66	194
Net loan losses, defaulted	**-247**	**-72**	**-1**
Net loan losses	**-331**	**-61**	**-44**

Key ratios

	Q3 2019	Q2 2019	Q3 2018
Loan loss ratio, basis points[1]	55	10	8
- of which stage 1	6	-2	7
- of which stage 2	8	0	1
- of which stage 3	41	12	0

[1] Excluding items affecting comparability the loan loss ratio for third quarter is 8bps, with 2bps for stage 1, -6bps for stage 2 and 12bps for stage 3. Total net loan losses excluding items affecting comparability amounts to EUR 49m with net loan losses at EUR 11m in stage1, net reversals at EUR -37m in stage 2 and net loan losses at EUR 75m in stage 3.

Note 7 Loans and impairment

EURm	Total 30 Sep 2019	31 Dec 2018	30 Sep 2018
Loans measured at fair value	100,200	77,521	89,373
Loans measured at amortised cost, not impaired (stage 1 and 2)	253,808	247,204	247,307
Impaired loans (stage 3)	4,678	4,581	4,748
- of which servicing	2,175	2,097	2,310
- of which non-servicing	2,503	2,484	2,438
Loans before allowances	**358,686**	**329,306**	**341,428**
-of which central banks and credit institution	*28,235*	*18,977*	*22,827*
Allowances for individually assessed impaired loans (stage 3)	-1,702	-1,599	-1,631
-of which servicing	-798	-720	-781
-of which non-servicing	-904	-879	-850
Allowances for collectively assessed impaired loans (stage 1 and 2)	-496	-441	-478
Allowances[1]	**-2,198**	**-2,040**	**-2,109**
-of which central banks and credit institution	*-15*	*-15*	*-2*
Loans, carrying amount	**356,488**	**327,266**	**339,319**

[1]After dialogue with the ECB, reflecting a more subdued outlook in certain sectors in the third quarter, Nordea has decided to increase provisions by a total of EUR 229m. In addition, Nordea has reviewed its collective provisioning models. The model update in the third quarter 2019 generates a EUR 53m increase in provisions. More information can be found on page 12.

Exposures measured at amortised cost and fair value through OCI, before allowances

EURm	30 Sep 2019 Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	242,819	10,989	4,678
Interest-bearing securities	29,579	-	-
Total	**272,398**	**10,989**	**4,678**

EURm	30 Sep 2018 Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	232,936	14,342	4,748
Interest-bearing securities	33,107	-	-
Total	**266,043**	**14,342**	**4,748**

Allowances and provisions

EURm	30 Sep 2019 Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	-160	-336	-1,702
Interest-bearing securities	-2	0	-
Provisions for off balance sheet items	-30	-67	-61
Total allowances and provisions	**-192**	**-403**	**-1,763**

EURm	30 Sep 2018 Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	-159	-319	-1,631
Interest-bearing securities	-2	-	-
Provisions for off balance sheet items	-25	-39	-88
Total allowances and provisions	**-186**	**-358**	**-1,719**

Movements of allowance accounts for loans measured at amortised cost

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2019	**-146**	**-295**	**-1,599**	**-2,040**
Changes due to origination and acquisition	-25	-2	1	-26
Transfer from stage 1 to stage 2	5	-64	-	-59
Transfer from stage 1 to stage 3	1	-	-31	-30
Transfer from stage 2 to stage 1	-17	54	-	37
Transfer from stage 2 to stage 3	-	15	-86	-71
Transfer from stage 3 to stage 1	-8	-	28	20
Transfer from stage 3 to stage 2	-	-20	21	1
Changes due to change in credit risk (net)	15	-4	-260	-249
Changes due to repayments and disposals	19	25	48	92
Write-off through decrease in allowance account	-	-	216	216
Changes due to update in the methodology for estimation (net)	0	-40	-13	-53
Other changes	-5	-5	-28	-38
Translation differences	1	0	1	2
Balance as at 30 Sep 2019	**-160**	**-336**	**-1,702**	**-2,198**

Note 7 Continued

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2018	**-133**	**-360**	**-1,816**	**-2,309**
Changes due to origination and acquisition	-51	-20	-35	-106
Transfer from stage 1 to stage 2	6	-98	-	-92
Transfer from stage 1 to stage 3	0	-	-55	-55
Transfer from stage 2 to stage 1	-13	55	-	42
Transfer from stage 2 to stage 3	-	15	-70	-55
Transfer from stage 3 to stage 1	-4	-	11	7
Transfer from stage 3 to stage 2	-	-13	68	55
Changes due to change in credit risk (net)	17	76	16	109
Changes due to repayments and disposals	18	27	40	85
Write-off through decrease in allowance account	-	-	209	209
Translation differences	0	0	1	1
Balance as at 30 Sep 2018	**-160**	**-318**	**-1,631**	**-2,109**

Key ratios[1]	30 Sep 2019	31 Dec 2018	30 Sep 2018
Impairment rate (stage 3), gross, basis points	181	182	188
Impairment rate (stage 3), net, basis points	115	118	124
Total allowance rate (stage 1, 2 and 3), basis points	85	81	84
Allowances in relation to impaired loans (stage 3), %	36	35	34
Allowances in relation to loans in stage 1 and 2, basis points	20	18	19

[1] For definitions, see Glossary.

Note 8 Classification of financial instruments

		Fair value through profit or loss (FVPL)				
EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Total
Financial assets						
Cash and balances with central banks	31,337	-	-	-	-	31,337
Loans to central banks	7,258	895	-	-	-	8,153
Loans to credit institutions	7,955	12,112	-	-	-	20,067
Loans to the public	241,074	87,194	-	-	-	328,268
Interest-bearing securities	3,443	35,074	4,063	-	23,622	66,202
Financial instruments pledged as collateral	-	3,540	-	-	2,552	6,092
Shares	-	14,919	-	-	-	14,919
Assets in pooled schemes and unit-linked investment contracts	-	28,796	294	-	-	29,090
Derivatives	-	48,285	-	3,506	-	51,791
Fair value changes of the hedged items in portfolio hedge of interest rate risk	372	-	-	-	-	372
Other assets	1,736	15,857	-	-	-	17,593
Prepaid expenses and accrued income	811	-	-	-	-	811
Total 30 Sep 2019	**293,986**	**246,672**	**4,357**	**3,506**	**26,174**	**574,695**
Total 31 Dec 2018	296,819	200,342	7,287	3,110	33,564	541,122

		Fair value through profit or loss (FVPL)			
EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Total
Financial liabilities					
Deposits by credit institutions	25,679	19,629	-	-	45,308
Deposits and borrowings from the public	159,286	9,040	-	-	168,326
Deposits in pooled schemes and unit-linked investment contracts	-	-	30,274	-	30,274
Liabilities to policyholders	-	-	3,317	-	3,317
Debt securities in issue	132,241	-	58,618	-	190,859
Derivatives	-	51,481	-	2,261	53,742
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3,248	-	-	-	3,248
Other liabilities	6,567	23,025	-	-	29,592
Accrued expenses and prepaid income	240	-	-	-	240
Subordinated liabilities	9,907	-	-	-	9,907
Total 30 Sep 2019	**337,168**	**103,175**	**92,209**	**2,261**	**534,813**
Total 31 Dec 2018	339,700	71,463	83,665	923	495,751

Note 9 Fair value of financial assets and liabilities

	30 Sep 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	31,337	31,337	41,578	41,578
Loans	356,860	363,337	327,435	330,681
Interest-bearing securities	66,202	66,388	76,222	76,334
Financial instruments pledged as collateral	6,092	6,092	7,568	7,568
Shares	14,919	14,919	12,452	12,452
Assets in pooled schemes and unit-linked investment contracts	29,090	29,090	24,425	24,425
Derivatives	51,791	51,791	37,025	37,025
Other assets	17,593	17,593	13,428	13,428
Prepaid expenses and accrued income	811	811	989	989
Total	**574,695**	**581,358**	**541,122**	**544,480**
Financial liabilities				
Deposits and debt instruments	417,648	418,429	408,227	409,014
Deposits in pooled schemes and unit-linked investment contracts	30,274	30,274	25,653	25,653
Liabilities to policyholders	3,317	3,317	3,234	3,234
Derivatives	53,742	53,742	39,547	39,547
Other liabilities	29,592	29,592	18,817	18,817
Accrued expenses and prepaid income	240	240	273	273
Total	**534,813**	**535,594**	**495,751**	**496,538**

The determination of fair value is described in the Annual report 2018, Note G40 "Assets and liabilities at fair value". Nordea has, in comparison with the Annual Report 2018, changed the construction of the funding curve used to estimate FFVA to better reflect the fair value.

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

Categorisation into the fair value hierarchy

EURm	Quoted prices in active markets for the same instruments (Level 1)	*Of which Life*	Valuation technique using observable data (Level 2)	*Of which Life*	Valuation technique using non-observable data (Level 3)	*Of which Life*	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	-	-	895	-	-	-	895
Loans to credit institutions	-	-	12,112	-	-	-	12,112
Loans to the public	-	-	87,194	-	-	-	87,194
Interest-bearing securities[2]	22,548	*1,485*	46,123	*2,715*	180	*13*	68,851
Shares	12,547	*9,315*	440	*438*	1,932	*925*	14,919
Assets in pooled schemes and unit-linked investment contracts	28,536	*24,569*	503	*503*	51	*51*	29,090
Derivatives	57	-	50,250	*2*	1,484	-	51,791
Other assets	-	-	15,816	-	41	*34*	15,857
Total 30 Sep 2019	**63,688**	***35,369***	**213,333**	***3,658***	**3,688**	***1,023***	**280,709**
Total 31 Dec 2018	65,343	*32,969*	175,791	*4,304*	3,169	*991*	244,303
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	-	-	19,629	-	-	-	19,629
Deposits and borrowings from the public	-	-	9,040	-	-	-	9,040
Deposits in pooled schemes and unit-linked investment	-	-	30,274	*25,985*	-	-	30,274
Liabilities to policyholders	-	-	3,317	*3,317*	-	-	3,317
Debt securities in issue	8,689	-	47,618	-	2,311	-	58,618
Derivatives	43	-	52,368	*18*	1,331	-	53,742
Other liabilities	5,677	-	17,347	-	1	-	23,025
Total 30 Sep 2019	**14,409**	**-**	**179,593**	***29,320***	**3,643**	**-**	**197,645**
Total 31 Dec 2018	19,639	-	132,748	*25,003*	3,664	-	156,051

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

[2] Of which EUR 6,092m relates to the balance sheet item Financial instruments pledged as collateral.

Transfers between Level 1 and 2

During the period, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 3,586m from Level 1 to Level 2 and EUR 1,451m from Level 2 to Level 1 of the fair value hierarchy. In addition, Nordea has transferred derivative assets of EUR 20m and derivative liabilities of EUR 4m from Level 2 to Level 1. Further Nordea transferred debt securities in issue of EUR 5,382m from Level 1 to Level 2, other liabilities from Level 1 to Level 2 of EUR 1,371m and other liabilities of EUR 182m from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 10 Continued

Movements in Level 3

EURm	1 Jan	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	30 Sep
Interest-bearing securities	329	-1	-1	-	22	-180	2	9	-	0	180
- of which Life	*4*	-	*-1*	-	-	*-1*	*2*	*9*	-	*0*	*13*
Shares	1,697	89	100	-	248	-196	-17	3	-	8	1,932
- of which Life	*916*	*36*	*55*	-	*19*	*-71*	*-17*	*0*	-	*-13*	*925*
Assets in pooled schemes and unit-linked investment contracts	31	0	18	-	2	-2	1	1	-	0	51
- of which Life	*31*	*0*	*18*	-	*2*	*-2*	*1*	*1*	-	*0*	*51*
Derivatives (net)	15	-137	190	-	-33	0	137	0	-19	0	153
Other assets	74	-	0	-	-	0	-33	-	-	0	41
- of which Life	*40*	-	-	-	*0*	*0*	*-6*	-	-	*0*	*34*
Debt securities in issue	2,627	45	-146	-4	291	-	-502	-	-	0	2,311
Other liabilities	14	-	-	-	-	-13	-	-	-	-	1
Total 2019, net	**-495**	**-94**	**453**	**4**	**-52**	**-365**	**592**	**13**	**-19**	**8**	**45**
Total 2018, net	-1,613	291	-432	0	277	-306	1,133	56	-4	9	-589

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

For information about valuation processes for fair value measurement in Level 3, see the Annual report 2018 Note G40 "Assets and liabilities at fair value".

Deferred day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual report 2018 Note G1 "Accounting policies". The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

Deferred day 1 profit - Derivatives, net

EURm	2019	2018
Opening balance at 1 Jan	81	58
Deferred profit on new transactions	58	44
Recognised in the income statement during the period[1]	-29	-31
Closing balance at 30 Sep	**110**	**71**

[1] Of which EUR -m (EUR -m) due to transfers of derivatives from Level 3 to Level 2.

Note 10 Continued

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

EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value[4]
Interest-bearing securities					
Mortgage and other credit institutions[2]	174	9	Discounted cash flows	Credit spread	-17/17
Corporates	6	4	Discounted cash flows	Credit spread	0/0
Total 30 Sep 2019	**180**	**13**			**-17/17**
Total 31 Dec 2018	329	4			-32/32
Shares					
Private equity funds	810	478	Net asset value[3]		-91/91
Hedge funds	90	85	Net asset value[3]		-8/8
Credit funds	420	167	Net asset value/market consensus[3]		-35/35
Other funds	314	188	Net asset value/Fund prices[3]		-28/28
Other[5]	349	58	-		-30/30
Total 30 Sep 2019	**1,983**	**976**			**-192/192**
Total 31 Dec 2018	1,728	947			-165/165
Derivatives, net					
Interest rate derivatives	310	-	Option model	Correlations Volatilities	-42/55
Equity derivatives	-22	-	Option model	Correlations Volatilities Dividends	-7/4
Foreign exchange derivatives	-11	-	Option model	Correlations Volatilities	-0/0
Credit derivatives	-131	-	Credit derivative model	Correlations Volatilities Recovery rates	-23/22
Other	7	-	Option model	Correlations Volatilities	-0/0
Total 30 Sep 2019	**153**	**-**			**-72/81**
Total 31 Dec 2018	15	-			-59/55
Debt securities in issue					
Issued structured bonds	2,311	-	Credit derivative model	Correlations Recovery rates Volatilities	-12/12
Total 30 Sep 2019	**2,311**	**-**			**-12/12**
Total 31 Dec 2018	2,627	-			-13/13
Other, net					
Other assets and Other liabilities, net	40	34	-	-	-5/5
Total 30 Sep 2019	**40**	**34**			**-5/5**
Total 31 Dec 2018	60	40			-7/7

1 Investments in financial instruments is a major part of the life insurance business, acquired to fulfill the obligations behind the insurance- and investments contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2 Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

3 The fair values are based on prices and net asset 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 Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 5% to 100% compared to the values received from suppliers/custodians.

4 The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information see the Annual Report 2018, Note G40 "Assets and liabilities at fair value".

5 Of which EUR 51m related to assets in pooled schemes and unit-linked investment.

Note 11 Disposal group held for sale

Balance sheet - Condensed[1]

EURm	30 Sep 2019	31 Dec 2018	30 Sep 2018
Assets			
Loans to the public	-	-	1,274
Derivatives	-	-	4
Other assets	-	-	57
Total assets held for sale	**-**	**-**	**1,335**
Liabilities			
Deposits and borrowings from the public	-	-	2,559
Derivatives	-	-	7
Total liabilities held for sale	**-**	**-**	**2,566**

[1] Includes the external assets and liabilities held for sale.

Assets and liabilities held for sale as of 30 September 2018 relate to Nordea´s earlier announced intention to divest part of its Luxembourg-based private banking business to UBS. The transaction was closed, and the assets and liabilities held for sale derecognise from Nordea's balance sheet, during the fourth quarter 2018. The disposal group is included in "Private Banking" in Note 2 "Segment reporting".

Note 12 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. Supervisory and governmental authorities that administer and enforce those regimes make regular inquiries and conduct investigations with regards to Nordea's compliance in many areas, such as investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law and governance and control. The outcome and timing of these inquiries and investigations is unclear and pending, and accordingly, it cannot be excluded that these inquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigations.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding AML. The outcome has resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for our weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Amongst other Nordea established in 2015 the Financial Crime Change Programme and has strengthened the organization significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation program to embed stronger ethical standards into our corporate culture. In addition, the group is investing in enhanced compliance standards, processes and resources in both the first and second lines of defense.

The Danish tax authorities have raised a claim for damages against Nordea of approximately DKK 900m relating to Nordea's assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. It is our assessment that Nordea is not liable and Nordea disputes the claim.

Glossary

Return on equity
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on tangible equity
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital and is reduced with intangible assets.

Return on Risk Exposure Amount
Net profit for the period as a percentage of average Risk Exposure Amount for the period. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued).

Return on equity with amortised resolution fees
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued) and is adjusted for the effect of resolution fees on an amortised basis after tax. Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

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

Tier 1 capital ratio
Tier 1 capital as a percentage of Risk Exposure Amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of Risk Exposure Amount.

Loan loss ratio
Net loan losses (annualised) divided by quarterly closing balance of loans to the public (lending) measured at amortised cost.

Impairment rate (Stage 3), gross
Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

Impairment rate (Stage 3), net
Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

Total allowance rate (Stage 1, 2 and 3)
Total allowances divided by total loans measured at amortised cost before allowances.

Allowances in relation to credit impaired loans (stage 3)
Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowance in relation to loans in stage 1 and 2
Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Economic capital
Economic Capital is Nordea's internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business Risk and Life Insurance Risk arising from activities in Nordea's various business areas. The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

ROCAR
ROCAR, % (Return on Capital at Risk) is defined as Net profit excluding items affecting comparability, in percentage of Economic capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic Capital.

For a list of further Alternative Performance Measures and business definitions, http://www.nordea.com/en/investor-relations/reports-and-presentations/select-reports-and-presentations/ and the Annual Report.

Nordea Bank Abp

Income statement

EURm	Reported Q3 2019	Pre-decessor[1] Q3 2018	Reported Jan-Sep 2019	Pre-decessor[1] Jan-Sep 2018	Combined[1] Full year 2018	Reported[1] 15 month 2018
Operating income						
Interest income	1,065	1,099	3,273	3,086	4,203	1,116
Interest expense	-494	-456	-1,522	-1,255	-1,730	-474
Net interest income	**571**	**643**	**1,751**	**1,831**	**2,473**	**642**
Fee and commission income	570	518	1,755	1,661	2,244	584
Fee and commission expense	-122	-106	-394	-301	-457	-157
Net fee and commission income	**448**	**412**	**1,361**	**1,360**	**1,787**	**427**
Net result from securities trading and foreign exchange dealing	219	154	701	665	868	199
Net result from securities at fair value through fair value reserve	187	6	239	17	25	8
Net result from hedge accounting	-211	31	-256	-5	-61	-55
Net result from investment properties	0	1	-1	-1	-1	0
Dividends	27	372	730	568	1,735	1,167
Other operating income	101	88	277	282	377	94
Total operating income	**1,342**	**1,707**	**4,802**	**4,717**	**7,203**	**2,482**
Operating expenses						
Staff costs	-812	-598	-2,032	-1,863	-2,478	-616
Other administrative expenses	-225	-223	-694	-702	-980	-274
Other operating expenses	-105	-102	-571	-440	-539	-100
Depreciation, amortisation and impairment charges of tangible and intangible assets	-817	-90	-1,030	-240	-355	-115
Total operating expenses	**-1,959**	**-1,013**	**-4,327**	**-3,245**	**-4,352**	**-1,105**
Profit before loan losses	**-617**	**694**	**475**	**1,472**	**2,851**	**1,377**
Net loan losses	-350	-42	-373	-110	-122	-12
Impairment on financial assets	0	-218	0	-218	-239	-21
Operating profit	**-967**	**434**	**102**	**1,144**	**2,490**	**1,344**
Income tax expense	221	-123	81	-302	-514	-211
Net profit for period	**-746**	**311**	**183**	**842**	**1,976**	**1,133**

[1] Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Nordea Bank Abp reports under Finnish GAAP. The columns labelled "Predecessor" include restated income statements of the former parent company Nordea Bank AB (publ). The columns labelled "Combined" include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ)'s income statements have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in Equity, as well as to that the presentation of the income statement complies with Finnish requirements.

Nordea Bank Abp
Balance sheet

EURm	Reported 30 Sep 2019	Reported 31 Dec 2018	Predecessor[1] 30 Sep 2018
Assets			
Cash and balances with central banks	30,670	39,562	42,585
Debt securities eligible for refinancing with central banks	62,268	72,677	71,440
Loans to credit institutions	87,243	64,772	69,588
Loans to the public	152,293	154,419	162,304
Interest-bearing securities	4,588	1,890	4,322
Shares and participations	6,873	4,813	6,817
Investments is associated undertakings and joint ventures	92	1,049	1,041
Investments in group undertakings	14,279	12,175	12,320
Derivatives	52,164	37,221	36,803
Fair value changes of the hedged items in portfolio hedge of interest rate risk	96	72	58
Intangible assets	1,676	2,331	2,274
Tangible assets			
Properties and equipment	316	338	359
Investment properties	2	4	4
Deferred tax assets	296	130	28
Current tax assets	722	234	448
Retirement benefit assets	155	243	252
Other assets	17,767	15,681	14,807
Prepaid expenses and accrued income	1,203	1,111	1,226
Total assets	**432,703**	**408,722**	**426,676**
Liabilities			
Deposits by credit institutions and central banks	57,929	51,427	65,015
Deposits and borrowings from the public	174,074	171,102	180,825
Debt securities in issue	75,408	82,667	77,759
Derivatives	55,575	40,591	40,089
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,725	536	212
Current tax liabilities	12	249	343
Other liabilities	28,770	21,257	22,775
Accrued expenses and prepaid income	1,234	1,330	1,287
Deferred tax liabilities	278	223	54
Provisions	650	352	381
Retirement benefit obligations	602	349	289
Subordinated liabilities	9,875	9,157	9,183
Total liabilities	**406,132**	**379,240**	**398,212**
Equity			
Share capital	4,050	4,050	4,050
Additional Tier 1 capital holders	750	750	750
Invested unrestriced equity	1,080	1,080	1,080
Other reserves	-504	-150	1,487
Retained earnings	21,012	22,619	20,255
Profit or loss for the period[2]	183	1,133	842
Total equity	**26,571**	**29,482**	**28,464**
Total liabilities and equity	**432,703**	**408,722**	**426,676**
Off balance sheet commitments			
Commitments given to a third party on behalf of customers			
Guarantees and pledges	47,683	50,026	49,245
Other	1,184	1,406	1,299
Irrevocable commitments in favour of customers			
Securities repurchase commitments	-	-	-
Other	79,672	80,102	75,807

[1] Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

[2] In 2018 including anticipated dividends of EUR 436m from its subsidiaries.

Nordea Bank Abp reports under Finnish GAAP. The column labelled "Predecessor" includes a restated balance sheet of the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ)'s balance sheet has been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in Equity, as well as to that the presentation of the balance sheet complies with Finnish requirements.

Nordea Bank Abp

Note 1 Accounting policies

The financial statements for the parent company, Nordea Bank Abp, are prepared in accordance with the Finnish Accounting Act, the Finnish Credit Institutions Act, the Decision of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions as well as Finnish Financial Supervision Authority's Regulations.

International Financial Reporting Standards (IFRS) as endorsed by the EU commission have been applied to the extent possible within the framework of Finnish accounting legislation and considering the close tie between financial reporting and taxation.

Nordea Group's consolidated interim financial statements are presented in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with the Annual Report 2018, except for related to the items presented in the section "Changed accounting policies and presentation". For more information see Note P1 in the Annual Report 2018.

Changed accounting policies and presentation

Information on new and amended IFRS standards implemented by Nordea on 1 January 2019 can be found in the section "Changed accounting policies and presentation" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. However, IFRS 16 "Leases" is not applied in the parent company.

Nordea Bank Abp has recognised the resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents them as Other expenses in the income statement. Hence, there is no change in the accounting policy of resolution fees and no restatements are needed in the parent company.

Changes in IFRSs not yet applied

Information on forthcoming changes in IFRS not yet implemented can be found in the section "Changes in IFRSs not yet applied" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. However, IFRS 17 "Insurance contracts" will not be applied in the parent company.

Other amendments

Other amendment to IFRS are not assessed to have any significant impact on the financial statements of Nordea Bank Abp.

Acquisition of Gjensidige Bank

On 2 July 2018, Nordea entered into an agreement with Gjensidige Forsikring to acquire all shares in Gjensidige Bank. The transaction was closed on 1 March 2019, when Nordea received final approval from the Norwegian regulators. For more information, see Note 1 for the Group.

For further information

- A webcast for media, investors and equity analysts will be held on 24 October at 09.00 EET (08.00 CET), at which Frank Vang-Jensen, President and Group CEO, will present the results.
- To participate in the webcast (starting at 09:00 EET) please use the webcast link or dial +44 333 300 0804 or +46 8 566 426 51 or +358 9 817 103 10 or +45 35 44 55 77 Confirmation code 60475055# no later than 08.50 EET.
- The webcast will be directly followed by a Q&A audio session for investors and analysts with Christopher Rees, Group CFO, and Rodney Alfvén, Head of Investor Relations, starting at approximately 09.30 EET (08.30 CET).
- After the call an indexed on-demand replay will be available here. A replay will also be available until 14 November 2019. Please dial one of the following numbers: +44 333 300 0819, +46 8 519 993 85, +358 9 817 105 15, +45 82 33 31 90, confirmation code 301299823#.
- A Capital Markets Day (CMD) will be held in London on 25 October at 09.00UK time at Rosewood London, 252 High Holborn, WC1V 7EN, London where the management will present the Group's strategic direction and new financial targets, including capital and dividend policy. In addition, the business areas' strategic agendas and financial targets will be presented. There will be a question and answer session following the presentations. At approximately 12.30 a lunch buffet will be served.
- The event will be webcast live and the presentation slides will be posted on www.nordea.com/ir.
- To attend please contact Ruby Megran at Nordea via e-mail: ruby.megran@nordea.com.
- The Q3 2019 report, an investor presentation and a fact book are available on www.nordea.com.

Contacts

Frank Vang-Jensen
President and Group CEO
+358 503 821 391

Christopher Rees
Group CFO
+45 55 47 23 77

Rodney Alfvén
Head of Investor Relations
+46 72 235 05 15

Sara Helweg-Larsen
Head of Group Communications
+45 22 14 00 00

Financial calendar

06 February 2020 – Fourth Quarter Report 2019 (Silent period starts 9 January 2020)
25 March 2020 – Annual General Meeting
29 April 2020 – First Quarter Report 2020 (Silent period starts 7 April 2020)
17 July 2020 – Second Quarter Report 2020 (Silent period starts 7 July 2020)
23 October 2020 – Third Quarter Report 2020 (Silent period starts 7 October 2020)

Helsinki 24 October 2019

Nordea Bank Abp

Board of Directors

This report is published in one additional language version, in Swedish. In the event of any inconsistencies between the Swedish language version and this English version, the Swedish version shall prevail.

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

Nordea Bank Abp • Hamnbanegatan 5 • 00020 Helsinki • www.nordea.com/ir • Tel. +358 200 70000 • Business ID 2858394-9

Report on review of interim financial information of Nordea Bank Abp for the nine months period ended 30 September 2019

To the Board of Directors of Nordea Bank Abp

Introduction
We have reviewed the condensed interim financial information of Nordea Bank Abp, which comprise the balance sheet as at 30 September 2019, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the nine-month-period then ended and notes, all consolidated, and parent company's balance sheet as at 30 September 2019 and income statement for the nine-month-period then ended. The Board of Directors and the Managing Director are responsible for the preparation of the condensed interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union. We will express a conclusion on this condensed interim financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope, than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information of Nordea Bank Abp for the nine months period ended on 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union.

Helsinki 24 October 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

REGISTERED AND PRINCIPAL OFFICE OF THE ISSUER

Nordea Bank Abp
Satamaradankatu 5
F1-00020 Nordea
Helsinki

INDEPENDENT PUBLIC ACCOUNTANTS

PricewaterhouseCoopers Oy
Itämerentori 2
FI-00180 Helsinki
Finland

FISCAL AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt
Germany

VP ISSUING AGENT

Nordea Bank Abp
Nordea Danmark, filial af Nordea Bank Abp, Finland
(Issuer Service DK)
P.O. Box 850
DK-0900 Copenhagen C
Denmark

VPS PAYING AGENT

Nordea Bank Abp
Nordea Bank Abp, filial i Norge
PO box 1166, Sentrum
0107 Oslo
Norway

FINNISH ISSUING AGENT

Nordea Bank Abp
Satamaradankatu 5
FI-00020 Nordea
Helsinki

FINNISH REGISTRAR

Euroclear Finland Ltd
PB1110
FIN-00101 Helsinki
Finland

SWEDISH ISSUING AGENT

Nordea Bank Abp
Nordea Bank Abp, filial i Sverige
Smålandsgatan 15-17

111 46 Stockholm
Sweden

SWEDISH REGISTRAR

Euroclear Sweden AB
Swedish Clearing System
Euroclear Sweden
Box 191SE
SE-101 23 Stockholm

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISERS

as to Danish law

Kromann Reumert
Sundkrogsgade 5
DK-2100
Copenhagen

as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

as to Finnish law
Hannes Snellman Attorneys Ltd
Eteläesplanadi 20
00130 Helsinki
Finland

as to Norwegian law
Advokatfirmaet Thommessen AS
Haakon VII's gate 10
PO Box 1484 Vika
NO-0116 OSLO
Norway

as to Swedish law
Mannheimer Swartling
Advokatbyrå AB
Norrlandsgatan 21
Stockholm
Sweden